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REPORT

OF THE

INDUSTRIAL COMMISSION

ON

TRUSTS AND INDUSTRIAL COMBINATIONS

(SECOND VOLUME ON THIS SUBJECT),

INCLUDING TESTIMONY TAKEN SINCE MARCH 1, 1900, TOGETHER WITH REVIEW AND DIGEST THEREOF, AND SPECIAL REPORTS ON PRICES AND ON THE STOCKS OF INDUSTRIAL CORPORATIONS.

VOLUME XIII

OF THE COMMISSION'S REPORTS.

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[Extract from act of Congress of June 18, 1898, defining the duties of the Industrial Commission and showing the scope of its inquiries.]

SEC. 2. That it shall be the duty of this commission to investigate questions pertaining to immigration, to labor, to agriculture, to manufacturing, and to business, and to report to Congress and to suggest such legislation as it may deem best upon these subjects.

SEC. 3. That it shall furnish such information and suggest such laws as may be made a basis for uniform legislation by the various States of the Union, in order to harmonize conflicting interests and to be equitable to the laborer, the employer, the producer, and the consumer.

Gift of Albert Clarke

INDUSTRIAL COMMISSION,
December 4, 1901.

To the Fifty-seventh Congress:

I have the honor to transmit herewith, on behalf of the Industrial Commission, a report on the subject of Trusts and Industrial Combinations, prepared in pursuance of an act of Congress approved June 18, 1898.

This is the second volume submitted by the commission on this subject, the first constituting Volume I of the commission's reports. The present report covers the testimony taken before the commission since March 4, 1900, with a review and digest thereof, and also special reports on the effect of industrial combinations on prices, local variations in prices, the relative prices of American products in American and foreign markets, and speculation in the securities of industrial corporations.

The conclusions and recommendations of the commission on this subject will be submitted in its Final Report.

Respectfully,

ALBERT CLARKE, *Chairman.*

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REVIEW OF EVIDENCE.

INTRODUCTION.

Since the publication of the preliminary report on industrial combinations a large amount of new evidence on the subject has been taken. In the main this evidence tends to confirm conclusions reached in the earlier report; but several new lines of investigation have been followed, so that somewhat more complete statements can be made and the conclusions formerly reached are made substantially certain. Additional information has been secured, particularly on the subjects of the promotion and financiering of industrial combinations; on the causes for the failures of those which have not proved successful; on the practices of combinations in connection with the export trade; on prices for export goods as compared with those sold within the country, and on the relation of the tariff to industrial combinations. The details regarding the various subjects will be given each under its separate heading.

CAUSES OF COMBINATION.

It is clearly the opinion of most of those associated with industrial combinations that the chief cause of their formation has been excessive competition. Naturally all business men desire to make profits, and they find their profits falling off first through the pressure of lowering prices of their competitors. The desire to lessen too vigorous competition naturally brings them together.

A second way of increasing profits is through the various economies which they think will come by consolidation. The special details of these savings will be given under another heading.[1]

One or two of the witnesses considered the protective tariff as the chief cause of the trusts. They urged that high tariff duties, by shutting out foreign competition, make it easier for our manufacturers to combine to control prices, and they think that the experience of the last few years justifies the assertion. Likewise, they say, through the high profits that come from the exclusion of foreign competition by the tariff, capital has been attracted into industries here to so great an extent and with the expectation of so high profits that home competition has been unduly stimulated, thereby leading to the formation of combinations.[2]

Some other witnesses believe that the tariff, while not the most important cause, has, nevertheless, some influence toward encouraging combinations;[3] while one witness, Mr. La Taste, believes that the monopoly of natural opportunities, under our present system of taxation, is to be considered the fundamental cause.[4]

Nearly all of the witnesses who have considered excessive competition as the chief cause do not agree that the tariff is to be looked upon as a cause, nor as a rule do

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[1] Chapman, pp. 93, 98, 99; Pitcairn, pp. 227, 241; White, pp. 253–266; Burn, pp. 284–303; Hopkins, p. 346; Chisholm, pp. 431, 435.

[2] Holt, pp. 552, 553, 569; Spalding, pp, 1–4

[3] Hillyer, p. 13.

[4] P. 29.

they concede that those engaged in the organization of combinations have any intention of securing a complete monopoly. It is, of course, true that the restriction of competition is a step toward monopoly, but competition has not been suppressed entirely, and they do not believe that monopoly has been or can be secured. In most cases they would deny that a monopoly was in any respect desirable.

THE SAVINGS OF COMBINATION.

(*a*) Among the economies that are generally recognized as resulting from combination is the regulation of production. Where there is no general understanding among producers there is a strong tendency to overproduction, so that markets become demoralized and competition excessive. The combination is able so to fit the supply to the demand that while customers can be fully supplied at reasonable prices there is no danger of overproduction. It is thus a means of preventing panics and periods of depression.[1]

(*b*) Closely allied with this adaptation of supply to demand is the advantage that comes from the possibility of carrying much smaller stocks of goods. This saves not merely the investment of capital, but also interest on running capital, insurance, storage charges, shop-work charges, etc.[2]

(*c*) This same control of production enables the combination to keep its factories running full time, thus keeping labor fully employed. It has been found in several special cases that the percentage saved in the cost of production in the rubber industry by running a factory full time instead of half time was from 4 to 8 per cent. In other cases it is doubtless more.[3]

(*d*) When a large proportion of an industry is under the control of one central management, it becomes essential to success that the various products be standardized. In this way the quality of goods can be made much more uniform than would otherwise be the case, and its excellence can be guaranteed. Furthermore, the number of styles of goods can regularly be very much reduced, thus lessening the cost of manufacture and effecting a saving in the amount of stock that needs to be carried.[4]

(*e*) The same influence leads to the larger use of special machinery, and to the adaptation of the workmen and the superintendents to the special departments for which they are best suited. In many cases through this specialization more can be saved than through the introduction even of new machines. In one case, in connection with the manufacture of rubber goods, as much as 20 per cent of the cost was saved by thus specializing the machinery. Mr. Schwab, president of the United States Steel Corporation, mentions the specialization and adaptation of material as a great saving in the steel industry.[5]

(*f*) The specialization mentioned above saves also materially through a lessening in the cost of superintendence, which is sometimes very large. Likewise the increased efficiency often enables the manufacturer to lessen the number of laborers per unit of product.[6]

(*g*) There are also noteworthy savings along somewhat similar lines in connection with the cost of selling; for example, the number of traveling men can often be greatly reduced. In the case of the United States Rubber Company there was a saving of 25 per cent in the number of traveling salesmen.[2] Substantial economies can be made through direct sales instead of through middlemen; and the cost of advertising can be materially lessened, owing to more intelligent distribution and method of advertising. Advertising in a large way permits also the securing of

[1] Flint, pp. 35, 92; White, p. 264; Spalding, p. 9; Chapman, p. 109; Schwab, pp. 450–452.
[2] Flint, p. 35.
[3] Flint, p. 34; Spalding, p. 9; White, p. 264; Schwab, pp. 453, 454; Waterbury, pp. 128, 129.
[4] Flint, p. 35; White, p. 263.
[5] Flint, p. 34; Schwab, pp. 450–452; Duke, p. 327.
[6] Flint, p. 85; White, p. 256.

more favorable rates.[1] The popularity of a trade-mark can be more readily secured when the sales are direct.

(*h*) There is often through combination a better knowledge and control of credit conditions, so that bad debts may be guarded against. During the year 1890 the United States Rubber Company, doing a business of about $28,000,000, lost less than $1,000 by bad debts. The loss by the separate companies on that volume of business would have averaged doubtless over $100,000 per year.[2]

(*i*) Of course there is a very material saving in many instances through shipping goods to customers from the nearest plants.[2] In this matter of freight saving also the large combinations can often supply themselves with storage facilities at central points and then ship their goods in large quantities during the seasons of the year when freight rates are lowest, thus often securing the advantages of water transportation which otherwise would not be available.[3]

In the case of local combinations, as, for example, the Cleveland and Sandusky Brewing Company, a similar saving is made in the cost of delivery of goods. Before the combination was made each brewery delivered beer to every part of the city. Now each brewery delivers to the portion near which it is situated.[4]

FORM OF ORGANIZATION.

In the case of the newer combinations in the United States it has been found that practically all of the important ones are put into the form of a single large corporation. In many cases the new corporation buys the individual plants which it seems desirable to combine and thus becomes a single owner of all the establishments.

In other cases, and this is perhaps true especially with reference to the largest combinations, the stock of the constituent members is all bought by the single unifying company. The constituent companies then retain their organization intact, being controlled simply by the central corporation, as a stockholder, which can elect directors and officers at will and thus guide the management absolutely.

PROMOTION AND FINANCIERING.

(*a*) *Method of organizing.*—Considerable new evidence has been taken regarding the methods of promotion and the part which the promoter plays in the organization of the combinations, as well as regarding the relations between the promoter and those who finance the organization. It is quite a general custom for a syndicate to be organized of individuals, bankers and others, who furnish whatever cash may be needed to purchase the different plants entering the combination, and who agree to take a certain proportion, if not all, of the new stock which is not taken by the vendors of the plants and by the public. Perhaps the most usual method followed is for the so-called "promoter" either to secure options upon the various plants entering into the combination, or to purchase them outright for cash or for stocks of the new combination; then to sell them to the new combination, taking as pay therefor its stock or stocks and bonds. The financiers furnish to the promoter the cash to pay for the plants or for the stocks of the individual establishments. They receive from the promoter, for the cash, stocks of the new corporation. All the exchanges of securities are frequently effected at the same time and place by the different parties entering into the transaction, so that there is no especial necessity for any large sums of money to be transferred, and the bargains made beforehand between the different parties are all consummated at once.[5]

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[1] Flint, pp. 34, 35; Duke, pp. 327, 328; Campbell, pp. 309, 310.
[2] Flint, pp. 36, 37.
[3] Flint, pp. 35, 36; White, pp. 253, 254.
[4] Chapman, p. 105.
[5] Chapman, pp. 93, 94.

(*b*) *Pay of the promoter.*—There are various ways for the promoter to receive his pay. In certain instances, as, for example, the United States Rubber Company, the promoter received for his work 5 per cent of the total stock issued, but had to pay out of this the charges of lawyers, accountants, appraisers, and bankers.

A more usual form of remuneration is to give to the promoter a certain amount of stock with which to buy the plants required and to pay expenses, permitting him to retain the surplus for his profits. In the case of the Rubber Goods Manufacturing Company the syndicate subscribers furnishing cash received for each $100 paid in $100 in preferred stock and $90 in common stock. The promoters had to purchase the plants and were given the entire issue of preferred and common stock. If they could buy the plants for the proceeds of the 100 per cent of preferred stock and 90 per cent of common, they made the 10 per cent of common stock for their profit; if they had to pay more than that sum their profits were correspondingly lessened; if they could buy for less, naturally they made more than the 10 per cent of the common stock. They were under the express limitation that no preferred stock was to be issued in excess of tangible assets, and no common stock in excess of an amount determined by the earning capacity of the plants, as shown by previous experience, capitalized on a 7 per cent basis.[1]

In the case of the American Smelting and Refining Company syndicate subscribers received for each $100 paid in cash $100 in preferred stock and $70 in common stock. The promoters received the remaining $30 in common stock, out of which they had to pay the entire expenses of organization. They retained the remainder for their profits. Speaking generally, Mr. Chapman states that when a financiering syndicate receives for its subscriptions par in preferred stock and something less than par in common stock, the usual custom is for the promoters to receive the remainder of the common stock as pay for their services and for covering the costs of organization. In most cases their profits will depend upon the rigidity with which they can hold down their expense accounts, and, in many cases, where the purchase of plants is entirely in their hands, upon the skill which they can show in making purchases. Usually, of course, a careful appraisement has been made of plants beforehand, so that the basis of the stock issue is well known to all parties interested in the deal. A certain speculative chance is also often given to the promoters through the fact that it is within their discretion to buy for cash or stocks as they can best make agreements with the vendors. In that case they can sometimes make much better bargains for themselves by paying cash, or, on the other hand, by persuading the vendors to take securities, thus lessening the amount of cash that needs to be paid out. It is regularly the case that the promoter receives his pay in common stock.

(*c*) *Pay of the financier.*—Within the last two or three years there seems to have been a more conservative tendency shown by the bankers and others interested in financing the industrial combinations. The man who advances money to buy the various plants is, in many instances, taking a considerable risk and expects often to secure high pay therefor. The extent of his pay is dependent nevertheless largely upon his judgment as to the future course of development of the business of the combination in question. He practically buys securities of manufacturing establishments. If they earn high dividends his earnings will be great, provided he retains the securities; if he sells them his profits will be determined by the market rate of the securities, that being dependent again in the long run upon the earning capacity of the establishments. The more usual terms probably, under which within the last two or three years the financial agreements have been made, are that for each $100 cash paid in the subscribing member of the financial syndicate receives par in preferred stock with a bonus in common stock equal to the preferred less the amount reserved for the pay of the promotor. This reserve has sometimes been as high as 50 per cent of the common stock, sometimes 30 per cent, and sometimes only 10 per cent.[2]

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[1] Flint, p. 38.

[2] Chapman, pp. 93, 94; Flint, pp. 37, 38, 51, 66-73.

Instead of the plans mentioned above numerous others are of course found, especially where it is more desirable to issue bonds or where for some reason it seems desirable to make special terms, owing to the peculiar situation of some of the members entering into the combination. Promoters sometimes receive specified sums of money for their services; bankers practically always have to take for their services a percentage of the stock or the surplus left over.[1]

It is apparently the case that within late years private bankers are taking a more active and much more influential part in floating large business corporations—a line of business quite remote from banking proper. In Europe, especially in Germany and Austria, bankers have long been the chief promoters. The lessening rates of interest in this country seem to be driving them into the same practices here.

CAPITALIZATION.

GENERAL STATEMENTS.

Two general opinions regarding the basis of capitalization of companies and combinations are represented by the witnesses: First, that the amount of capitalization should be limited by the actual value of the properties owned, or should at any rate bear some strict relation thereto; second, that the capitalization should be dependent upon the earning capacity of the company.

Some of the witnesses were apparently of opinion that the actual cash value might be substantially determined by the cost of building of the plants themselves and by the actual selling value of the stock on hand.[2] Others took the rather extreme ground that so far as the effect on the public was concerned the amount of capitalization made practically no difference whatever. Overcapitalization, it was said, will not affect earnings, and the stockholder and the public are interested in earnings rather than in capital. Capitalization has no relation whatever to earnings.[3]

Even those witnesses, however, would be of opinion that the investor, if not the public, has some interest in the question of capitalization, and that there should be enough public knowledge on the matter so that the investor would know what his company was doing. Some general provision that would determine that condition for the investor might well be provided.[4]

The greater number of witnesses seemed to be of the opinion that there should be for capitalization a basis of tangible assets whose value should be well known and should be, other things equal, somewhat closely related to the cost of production of the plants. It was thought that such a basis of tangible assets was, on the whole, suitably represented by preferred stock at par, provided a company or a combination were to issue both preferred and common stock; or in case a company thought it wiser to issue bonds instead of preferred stock, the tangible assets would afford a fairly satisfactory basis for a bond issue, provided that the earning capacity, judging from the experience of preceding years, was enough to pay considerably more than interest on such bonds.

These witnesses were usually of the opinion that besides this basis of tangible assets for preferred stock it was just and, on the whole, in the interest of the public, including investors in stocks, that there be also an issue of common stock, based upon so-called intangible assets—that is, upon patents, trade-marks, good will, and the increased earning capacity that might come from combination itself. The amount of such common stock dependent upon earning capacity would naturally vary greatly in different kinds of business. Those corporations whose earnings were largely dependent upon the popularity of brands or trade-marks might properly issue a much larger proportion of common stock as compared with preferred than could

[1] Chapman, pp. 96, 97.

[2] Pitcairn, pp. 227, 232, 233.

[3] Chapman, pp. 107, 108. Schiff, vol. 9, on Transportation, pp 773, 775.

[4] Flint, pp. 92, 93, Chapman, p. 108

those companies whose product came more directly into the market in competition with others of like character, as, for example, various steel products, sugar, boots and shoes, etc.[1]

The expression "good will" was used by many of the witnesses to include the various forms of intangible assets mentioned above, but in some cases the meaning of the word was, properly, restricted to the business advantage of acquaintance and reputation acquired by any establishment through a long period of dealing with its customers. Several of the witnesses who held to the last-named meaning were of the opinion that the mere fact of combination itself removed to a considerable extent this element of good will, and that in consequence it formed no just basis for capitalization. In order to avoid this loss of good will through combination it had been found best in many instances to retain the individual existence of the separate establishments under the combination, or at any rate to retain the names of brands and trade-marks of which the value had been built up by earlier establishments.[2]

FACTS REGARDING SPECIAL COMPANIES.

Mr. Pitcairn,[3] the president of the Pittsburg Plate Glass Company, testified that when it was organized by increasing its capital stock and buying properties of its principal competitors, the properties were bought in at their actual cash values, nothing being paid for good will, and that the capitalization represented strictly actual cash values. The properties purchased in the Sloss-Sheffield Steel and Iron Company were bought at what was regarded as actual values, represented mainly in tangible assets, and this covered the issue of both preferred and common stock.[4]

Many of the witnesses, testifying with reference to their own combinations, stated that there was a fixed relation between the tangible assets and the capitalization, and usually that the preferred stock represented the tangible assets. For example, the United States Rubber Company issued capital stock to the amount of the tangible assets.[5] The preferred stock of the Rubber Goods Manufacturing Company was limited strictly to the tangible assets.[6] The bonds and preferred stock together of the United States Bobbin and Shuttle Company were not to exceed the actual appraised value of the tangible assets.[7] In the case of the rubber companies these assets were defined as including plant, machinery, tools, fixtures, and accounts guaranteed. The American Smelting and Refining Company limited its preferred stock also to its tangible assets, as did the National Salt Company and numerous others.[8]

In practically all of these cases where preferred stock or preferred stock and bonds represented tangible assets, at least an equal amount of common stock was issued, which represented good will in the broader sense of that term—that is, including patents, trade-marks, brands, and good will in the narrower sense. In some cases the amount of common stock, instead of being made equal to that of preferred, was determined rather by the earning capacity of the plants as shown by their record for a few years preceding.

In the Rubber Goods Manufacturing Company, which owned a large number of patents and trade-marks, the issue of common stock was limited to $14\frac{2}{7}$ times the amount of the net earnings of the separate companies during the year previous to the organization of the combination; that is to say, the issue of the common stock was put on a 7 per cent earning basis.[9]

The United States Rubber Company intended the common stock, which was equal to that of the preferred, to include patents, good will, etc., but likewise it represented,

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1 Flint, pp. 50, 53, 92, and elsewhere. White, p. 252; Burn, p. 306; Duke, pp. 317, 331; Hopkins, pp. 343, 355; Chisholm, pp. 432, 433, 441; Norris, p. 477.

2 Burn, p 287; Taylor, p. 162.

3 Pp. 227, 232, 233.

4 Flint, 54, 57.

5 Flint, 48.

6 Flint, 37.

7 Flint, 57.

8 Chapman, pp. 94–96; White, pp. 249, 252.

9 Flint, p. 38.

"among other things, the increased earning capacity by reason of the consolidation of the interests acquired."

In the appraisal of the Bobbin and Shuttle Company, no allowance was to be made for the value of any franchises, labels, or trade-marks, earnings or output.[1]

The common stock of the National Salt Company was to pay for good will, earning capacity, trade-marks, brands, etc., but was limited to five times the average annual net earnings for the preceding two years.[2]

Mr. Norris[3] says that in the case of the International Paper Company the common stock, which was spoken of as representing good will, was issued on a very low basis of value. He speaks of one paper mill that yielded $4.50 in company securities for every dollar of original investment. He estimates the overcapitalization of the company at $40,000,000.

Mr. Chisholm, president of the company, says that the authorized capitalization of the International Paper Company, $25,000,000 of preferred and $20,000,000 of common stock, of which $22,000,000 of the preferred and about $17,000,000 of the common, have been issued, together with $9,000,000 of bonds, is not excessive; that properties were paid for at a fair valuation when everything was taken into consideration, including water powers, position with relation to the supply of timber, and so on. He acknowledges that the capitalization is considerably more than the aggregate capitalization of the separate establishments taken into the organization, but says that many of them had been organized long before at a very low capitalization. At the beginning the capitalization of the whole, including bonds, amounted to $46,000,000, the appraisal at actual value of the properties was $43,000,000, and the company had $7,000,000 of working capital—a total of $50,000,000.[4] He thinks it extremely doubtful whether the property now owned by the company could be duplicated for the entire capitalization at par, including the common stock with the preferred and the bonds.

The plan of capitalization of the Royal Baking Powder Company is somewhat unique, $10,000,000 of 6 per cent preferred stock and $10,000,000 of common. The preferred stock is sold on the market and has regularly paid its 6 per cent dividends. A provision is made that if the interest should be in default four months, the owners of $50,000 of the preferred stock can call a meeting, elect directors, and take charge of the business. They can then control the business until all arrearages of dividends on the preferred stock shall have been accumulated or paid. After the payment of the deficiencies the voting power vested exclusively in the preferred stock shall cease and be restored to the holders of the common stock. No mortgage can be created or assumed by the company, nor can the preferred stock be increased, nor the company consolidate with another company, nor a mortgage be placed on any of the properties without the consent of the holders of 75 per cent of the preferred stock.[5] In this company the common stock is all held in private hands, and no report is given regarding the earnings on it. The control of the company is also exclusively in the hands of the few holders of the common stock so long as the dividends on the preferred stock are paid.

In certain instances where brands and trade-marks are of especial value, instead of the rather peculiar provisions of the baking powder company which seem to imply that the earnings on the common stock are high, a larger issue of stock is provided. For example, in the case of the American Chicle Company, while there was no formal appraisal of the tangible assets, their value was quite accurately ascertained. Preferred stock then was issued to three times the amount of the tangible assets, in round numbers, and the amount of common stock was made double that of the preferred. That is to say, speaking roundly, the total capitalization is nine times the amount of the value of the tangible assets. The most valuable property of this company is its trade-marks, it owning substantially all the valuable brands of chewing gum in the country. It is claimed that the capitalization of the company is on

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[1] Flint, pp. 57–66.
[2] White, pp. 249–259.
[3] Pp. 409–420.
[4] Chisholm, pp. 432–441.
[5] Morris, pp. 73, 77, 80.

a conservative basis as compared with its earning capacity, from the fact that the company earns about six times the dividends on its preferred stock and has paid 8 per cent regularly on its common stock. The price of preferred and the price of common stock both stand at about 80.[1]

Before one can justify a high capitalization by the mere fact that dividends can be paid on it, one would perhaps need to inquire, in some cases at least, the source of power to secure these high earnings. If it were a monopoly power, some would not consider the high capitalization justified.

Another interesting question regarding capitalization was raised by Mr. Schwab in connection with the United States Steel Corporation. Whether that company was to be considered as overcapitalized or not depended largely, in Mr. Schwab's judgment, upon the value that was to be placed upon its unmined ores and its coking coal. He thought, also, that the value of the ore and coal ought to be considered as considerably greater from the fact that the supply of Lake Superior ores and of Connellsville coking coal was apparently limited and, so far as one could judge from the present outlook, would be exhausted within a comparatively few years.[2] It should be noted that the addition of large capitalization representing values of unmined ore is not usual, although it has doubtless a certain basis of justification.[3] If we grant that a materially added value comes from the fact that the supply is limited and that the United States Steel Corporation is to get the benefit of this limited supply by virtue of the fact that it owns some 80 per cent of the Lake Superior ore in sight, this is a capitalization which may possibly be entirely proper, but which is clearly a capitalization of natural monopoly.

As will be seen from the note[4] the capitalization of the United States Steel Cor-

[1] Flint, 50, 51. [2] Schwab, pp. 464, 467, 472. [3] Cf. King, p. 500.

[4] *Comparison of stocks of first constituent members of United States Steel Corporation and shares given in exchange therefor.*

[From circular letters issued by J. P. Morgan & Co.]

Name of company.	Amount of stock outstanding.	Number shares stock new company for every 100 shares old stock.		Amount of new stock required to make the exchange.	
		Preferred.	Common.	Preferred.	Common.
Federal Steel Co.:					
Preferred	$53,260,900	110		$58,586,990	
Common	46,484,300	4	107½	1,859,372	$49,970,623
American Steel and Wire Co.:					
Preferred	40,000,000	117½		47,000,000	
Common	50,000,000		102½		51,250,000
National Tube Co.:					
Preferred	40,000,000	125		50,000,000	
Common	40,000,000	8.8	125	3,520,000	50,000,000
National Steel Co.:					
Preferred	27,000,000	125		33,750,000	
Common	32,000,000		125		40,000,000
American Tin Plate Co.:					
Preferred	18,325,000	125		22,906,250	
Common	28,000,000	20	125	5,600,000	35,000,000
American Steel Hoop Co.:					
Preferred	14,000,000	100		14,000,000	
Common	19,000,000		100		19,000,000
American Sheet Steel Co.:					
Preferred	24,500,000	100		24,500,000	
Common	24,500,000		100		24,500,000
Amount new stock required to make exchange, totals				261,722,612	269,720,623
Present issues of the seven companies, totals				217,085,900	239,984,300
Increase in capitalization for seven companies				44,636,712	29,736,323 44,636,712
Total increase common and preferred stock, seven companies					74,373,035

poration is $74,373,035 more than the total capitalization of the separate companies of which it was at first formed, not counting the Carnegie company nor the companies taken in since the organization. From the testimony given by the officers of several of these separate companies their capitalization was also materially greater than their tangible assets. Mr. Reid[1] testified that of the $28,000,000 of common stock and $18,000,000 of preferred stock entering into the capitalization of the Tin Plate Company, the $18,000,000 preferred were supposed to represent the cash values of the plants as going concerns including ordinary good will. All of the common represented "good will"—hope of future success—and pay of the promoter. He stated further, however, that owing to the fact that the establishments were bought as going concerns at a time when business was prosperous and when some of the vendors doubtless felt that they were in a position to make good terms, the prices for which they sold were high; so that all the stock taken together would represent probably three or four or five times the cash value of the plant itself under ordinary conditions.

The National Steel Company, according to the testimony of its president, Mr. Reis,[2] had the value of its plants fairly accurately represented by its preferred stock, $27,000,000, the common stock, $32,000,000, being all for "good will"—expectation of profits—and the pay of the promoter. From the testimony of other officers the implication is that the capitalization of the American Steel Hoop Company, with $14,000,000 preferred and $19,000,000 common, was divided on substantially the same basis,[3] and the same plan, it is generally understood, was followed in the organization of the American Sheet Steel Company.

According to the testimony of Judge E. H. Gary[4] the capitalizationof the Federal Steel Company at $98,000,000 represented the actual value of the properties and cash. He stated, however, that $31,000,000 of that valuation was increase, not

Footnote—Continued.

Comparison of stocks of first constituent members of United States Steel Corporation, etc.—Continued.

Name of company.	Amount of stock outstanding.	Number shares stock new company for every 100 shares old stock.		Amount of new stock required to make the exchange.	
		Preferred.	Common.	Preferred.	Common.
Companies added after organization.					
American Bridge Company:					
Preferred	$31,373,800	110		$34,511,180	
Common	30,950,800		105		$32,498,340
Lake Superior Consolidated Iron Mines:					
Common	29,887,449	135	135	40,348,056	40,348,056
Amount new stock required				74,859,236	72,846,396
Present issue for two companies, total				31,373,800	60,838,249
Increase in capitalization for two companies				43,485,436	12,008,147 43,485,436
Total increase, two companies					55,493,583
Increase, seven companies				44,636,712	29,736,323
Increase, two companies				43,485,436	12,008,147
Total increase, nine companies				88,122,148	41,744,470 88,122,148
Total increase, preferred and common					129,866,618

[1] Vol. 1, pp. 866, 884.

[2] Vol. 1, p. 944.

[3] Guthrie, vol. 1, pp. 953–957; Moore, vol. 1, pp. 959, 962,963, 967.

[4] Vol. 1, p. 987.

appearing in the book values of the separate companies. That increase represented mainly increased values of the properties since they had been held by the constituent companies. For example, some coal land was put in at $500 an acre, of which some had been sold just before the time when he gave his testimony at $1,000 an acre; the Illinois Steel Company had one iron mine that cost about $75,000—they had just been offered $600,000 in cash for it—and similar matters of that kind. It will be seen that in this way a part of this actual valuation of $98,000,000 ($31,000,000) was in the form of mines, real estate, etc., part of which of course was not immediately productive, but which it was supposed at that time had an actual cash value of the amount named.

Mr. Gates, at that time chairman of the American Steel and Wire Company,[1] testified that of its capitalization of $90,000,000, probably $50,000,000 to $60,000,000 might be considered as value of plants, and $10,000,000 or $15,000,000 were issued as "good will." As showing the increased and increasing value of such property he stated that the demand for steel cars, steel vessels, and steel frames for buildings and bridges constituted as large a demand in tonnage as the total tonnage of the United States in iron and steel 15 or 20 years ago.

From the testimony offered by these different witnesses it will be seen that in October, 1899, the actual cash values of most of the plants entering into the United States Steel Corporation (including the National Tube Company on the same basis as the American Tin Plate Company) were placed by the officers themselves of those companies at their very liberal estimate of $298,570,200, leaving $158,500,000 as "good will." From the table given above in the note it will be seen that that capitalization has been increased by $74,373,035, making a total of $232,873,035 for "good will," in the broad sense, provided there had been no increase in the value of the tangible assets. On that question some considerations are given below.

A fairer basis of comparison between the separate companies than the above would be that made in substance by the United States Steel Corporation itself in purchasing the shares of the different companies. The shares of the Federal Steel Company, the American Steel and Wire Company, and the National Tube Company were all of them taken at somewhat lower rates than those of the National Steel Company or the American Tin Plate Company. From the testimony already cited it seems that in the case of those two companies all of the common stock at any rate, and probably considerably more was to be considered as issued for "good will"—i. e., expectation of earnings. On that basis, as has often been assumed without allowances for increase in values during the last two years, taking all the common stock of all the companies purchased by the United States Steel Corporation, with the exception of the Carnegie Company and the Lake Superior Consolidated Mines, neither of which had any preferred stock, it will be seen that the "good will" in the constituent companies amounts to $270,835,100. If we may also assume that the added common stock is to be considered as "good will," and add this to the sum mentioned above, it results that the "good will" of the consolidated companies amounts to $302,118,963, or, if one were even to include the added preferred also, it would amount to $389,918,111. If we were to take the price of the stock of the Lake Superior Consolidated Mines as a criterion of the value of that stock before it entered into the consolidation, it would appear that more should be added, but regarding that we have no definite basis for comparison and therefore omit it entirely, except as regards the increase. It should be kept in mind, however, that the testimony on which these statements are based refers to conditions of nearly two years ago.

It is, of course, true that there are increased values of the properties, because they have doubtless since the earlier date added materially to their plants and cash on hand, and there has doubtless been also some added value given to the plants by the prosperous conditions of the last two years. How much is to be so reckoned,

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[1] Vol. 1, p. 1021.

how much is to be credited to good will or actual earning capacity, of course is a matter for individual judgment; but, according to officers of the Steel Corporation itself, not less than $175,000,000 have been added in actual values since the testimony of the officers of the different plants referred to was given. It has been testified also that in certain cases good will alone in its narrower sense is of more value than all the tangible assets of an establishment.

There is no evidence before the commission and there has been no published statement showing the issue of stocks and bonds paid for the Carnegie properties. In a circular letter issued by J. P. Morgan & Co., March 2, 1901, it was stated that the "bonds of the United States Steel Corporation are to be used only to acquire bonds and 60 per cent of the stock of the Carnegie Company." It has been frequently stated, though not published on authority, that the bonds were exchanged at par, and that Mr. Carnegie received $1,500 in bonds for each $1,000 of his Carnegie stock. At those rates he would have received for—

	Bonds of U. S. Steel Corporation.
$160,000,000 bonds	$160,000,000
$96,000,000 stock at 150 in bonds	144,000,000
	304,000,000

As this sum agrees exactly with the amount of bonds issued, it seems a reasonable interpretation.

It is generally supposed that most of the remainder of the Carnegie stock was taken at 150 preferred stock with an equal bonus of common, though some little was bought for $1,200 or $1,300 cash. Assuming all taken at the first rate, and that $25,000,000 cash was raised with $25,000,000 par of preferred with equal bonus of common, a generally accepted inference, the remainder of the Carnegie holdings and the cash would have cost as follows:

	New stocks.	
	Preferred.	Common.
For $25,000,000 cash	$25,000,000	$25,000,000
For $64,000,000 Carnegie stock at 150	96,000,000	96,000,000
	121,000,000	121,000,000
Stocks of the 9 companies	336,581,848	342,567,019
Total to pay for purchases	457,581,848	463,567,019

Taking these sums, which as will be seen are partly estimates, known to be not quite accurate, but probably too large, from $550,000,000 each of preferred and common, the total amount authorized, there is left for the pay of the syndicate and as treasury stock to be used in future:

Preferred	$92,418,152
Common	86,432,981

PRICES.

RAW MATERIAL.

Comparatively little testimony was given regarding the effects of the combinations on the prices of raw material, but in a few special cases some effects appeared. At the time the National Cordage Company was founded there were 5 houses in Manila dealing in manila hemp. The Cordage company made an agreement with them by which they were bound not to sell hemp to any other concern in America, nor to any house in England unless that house agreed not to sell to any one in the United States, except at an advance of half a cent a pound above the price the National

Cordage Company was paying. In this way the company succeeded in obtaining a slight advantage for a brief time. The English houses later, thinking that the contract would be held illegal in the English courts, broke it and sold to the American manufacturers.[1] The other prominent cordage manufacturers, like Mr. Fitler and Mr. Holmes, testified that they at no time had serious trouble in getting supplies, and they had supposed that they bought as cheaply as did the National Cordage Company.[2] Mr. Taylor, formerly of the National Cordage Company, said, however, that at this time there was an understanding between the National Cordage Company and the Fitler and Plymouth companies.[3]

It has been thought by some of the competitors of the tobacco combinations that inasmuch as the number of purchasers of leaf tobacco has lessened since the formation of those companies the competition for leaf is less keen, and in consequence the price has been lowered. Mr. Campbell, president of the United States Tobacco Company, testified that since the American Tobacco Company controls the purchase of tobacco for Japan, this has had the effect of cutting down the prices of the grades that are exported to that country.[4] He is also of the opinion that the American Tobacco Company has greatly reduced prices, especially of cutters, in Virginia and the Carolinas. In his judgment, the farmer does not now realize more than half as much as he did when the several companies composing the American Tobacco Company were competing on the warehouse floors. Numerous leaf dealers have been driven out of business because the companies for which they bought have been absorbed. Within two years the acreage of North and South Carolina has been reduced 30 to 40 per cent because prices were so low.[5]

On the other hand Mr. Duke, president of the American Tobacco Company and of the Continental Tobacco Company, believes that his companies are at a disadvantage in buying raw materials because of the large purchases which they must make. The smaller manufacturer can pick up bargains; the large one must buy openly in large quantities. Moreover, he urges that it is not to the interest of the manufacturer to put the price of tobacco very low. If that is done the farmer will grow poorer tobacco. Inasmuch as the price of the finished product is dependent upon that of the raw material, and a slight increase in price does not materially affect sales, there is no special gain to come from beating down the farmer. Even with no competition at all it would be wise to pay a good price for tobacco.[6] He thinks, too, that the output of tobacco has increased very largely during the last ten years in the Carolinas and Tennessee. The increase has come to a considerable extent through the increased demand of the combinations for tobacco which they wished to use in manufacturing cigarettes for export.

A somewhat similar argument is made by Mr. Chapman[7] with reference to the prices paid for ore by the American Smelting and Refining Company. He urges that it would not be to the advantage of the company to reduce the price of ore. The more they pay, the more mines will be operated and the more raw material they will be able to get.

It is noticeable that since the organization of the United States Steel Corporation it has fixed the price of Lake Superior iron ore at $1.25 less per ton for the season of 1901 than was paid during the season of 1900.[8] Of course, owning, as it does, something like 80 per cent of the ore, it is practically within its power to fix its price for the general market. Mr. Schwab in his testimony did not give the reasons for fixing the lower price beyond an intimation that this fact showed that there was no attempt at securing excessively high prices. Possibly one further element is to be found in the fact that the United States Steel Corporation is also a purchaser of crude iron, and that there may be in this a certain element of reciprocity.

[1] Waterbury, pp. 131, 132.
[2] Fitler, p. 147; Holmes, p. 139.
[3] Taylor, p. 163.
[4] P. 312.
[5] Pp. 308, 313.
[6] Pp. 326, 327.
[7] P. 98.
[8] Hopkins, pp. 511, 513, 516; King, pp. 499, 500; Schwab, pp. 471, 472.

In his testimony regarding the rubber combinations Mr. Flint states that the price of crude rubber has of late years decidedly increased, owing to the action of the law of supply and demand. While the combination of rubber interests has prevented any great speculative advance, it has not been able to keep down the price of the raw material in general.[1]

It is the very general belief in Europe, and the belief is one that seems to be spreading here also, that the larger industrial combinations will find it to their interest, and also within their power, to prevent to a considerable extent either speculative advances or reductions in the prices of raw materials. In many industries, as, for example, in cordage and sugar, the speculative element in the price of raw material is potent in determining profits and prices of the finished product.[2] Any steadying effect in that direction would materially advance the general interests of manufacturers as well as of consumers. The experience of the cordage combinations seems to be distinctly on the other side, but that of the rubber manufacturers, of the sugar refiners, and possibly of some others in this country, as well as of the coal and iron manufacturers of Europe, seems to show that the combinations have at any rate the opportunity to perform this service for the public.

CONTROL OF PRODUCT.

Several of the combinations which the Industrial Commission has been lately considering are able to control a very large portion of the entire output of the country, so that they have, perhaps, the power to effect prices. The National Cordage Company soon after its formation controlled probably from 60 to 70 per cent of the entire business, though at the present time the Standard Rope and Twine Company probably does not control more than 15 to 20 per cent of the output; the Fitler Company perhaps 18 per cent, and the Plymouth Cordage Company from 15 to 20 per cent, these largest three companies being not materially different in the amounts produced.[3]

The American Smelting and Refining Company before the union with the Guggenheimers controlled about 85 per cent of the entire smelting business of the country. Since that combination it has substantially all of the trade.[4]

The United States Rubber Company and the Rubber Goods Manufacturing Company handle from 55 to 60 per cent of the rubber trade of the United States.[5] In the case of the Rubber Goods Manufacturing Company, some articles are protected by patents, so that the company has entire monopoly. In other cases its output does not cover more than 25 per cent. The United States Rubber Company probably has about 70 per cent of the output in boots and shoes.

The Pittsburg Coal Company controls the bulk of the lake trade in coal, although there is a little competition from southern Ohio and western Virginia. It is so situated that it can practically dictate the prices in its entire market.[6]

The United States Steel Corporation is made up of companies engaged in various lines of business, from mining to finishing the higher grades of steel. It is probable that at the present time it controls between 65 and 75 per cent of the steel industry of the United States. In very prosperous times the percentage would probably be smaller; in very dull times it would be very much larger.[7]

The International Paper Company produces, probably, at the present time about 1,300 tons per day out of an entire output for the United States of over 2,000 tons per day of news print paper.[8]

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[1] P. 81.
[2] Taylor, pp. 153-155; Holmes, pp. 139, 146; Grimwood, p. 120.
[3] Fitler, p. 146; Taylor, pp. 158, 163; Holmes, p. 144.
[4] Chapman, p. 97.
[5] Flint, p. 82.
[6] Chapman, pp. 100 to 103.
[7] Schwab, p. 455, 466.
[8] Norris, p. 411.

At the time of its formation, in the judgment of Mr. Norris, business manager of the New York Times, it produced about 80 per cent of the American output, but the new mills of the Great Northern Paper Company have probably reduced the percentage somewhat. Mr. Chisholm, president of the International Paper Company, thinks that the company produces now about 70 per cent of all the paper of all kinds manufactured in the United States, although it is impossible to tell accurately just the percentage.[1]

The American Thread Company together with the Coats Company probably control two-thirds of the thread output of the United States. Although the Coats Company is counted as a competitor, it is still a prominent stockholder in the American Thread Company, so that there is not the same vigorous competition that there used to be before there was this community of interest.[2]

The General Aristo Company has nearly a monopoly of certain grades of photographic paper made by foreign paper mills. This comes from the fact that this company had arranged with the German manufacturers to buy only their products for use in this country, provided that they might have the exclusive use of those products in this country. In this way they have succeeded in securing a monopoly so far as the direct purchase from the foreign manufacturers is concerned. It has been shown, however, by other witnesses that they are still able to buy this same grade of paper in Europe from other dealers, although not from the manufacturers.[3]

The National Salt Company apparently produces from 80 to 90 per cent of the output of fine salt east of the Rocky Mountains. In many localities, owing to the freight rates, the salt company has practically a monopoly, whereas in other cases for similar reasons it is compelled to cut its prices very low in order to have any control of the market at all. The freight rates from England by water to coast cities are considerably less than the railroad rates from the plants of the salt company; so that in order to meet this English competition the price obtained for salt at the wells has to be made less than that obtained by the English producer at the wells. In the case of the salt combination the element of freight is so important that its degree of control of the market depends to a very great extent upon the special locality that one has under consideration.[4]

At the time when the wall-paper combination was most effective it controlled at least 75 per cent of the business, and even when it was decided to dissolve it still controlled probably fully 60 per cent.[5]

Mr. Pitcairn, president of the Pittsburg Plate Glass Company, says that that combination produces about 72½ per cent of the plate-glass product of this country.[6]

The American Chicle Company, through its brands and trade-marks, probably controls 65 per cent of the chewing gum consumed in the country. The American Caramel Company owns all the popular brands of caramels, although it does not control a few of the highest-priced products.[7]

The National Starch Company has also a large percentage of control, amounting to probably more than 90 per cent of the box starch used and a very large percentage of starch of other kinds.[8]

In the case of certain local companies, such as the Pittsburg Brewing Company and the Cleveland and Sandusky Brewing Company, the control of the local market is, of course, very nearly complete so far as the ordinary consumption is concerned, although in the case of the larger hotels and restaurants naturally there is considerable outside beer brought into the market.

Certain local companies, such as the Brooklyn Union Gas Company, being natural monopolies, have absolute control of the markets, but their prices are determined to a considerable extent by legislation or by legislative power, even though no direct action is taken.

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1 Chisholm, pp. 431 to 438.
2 Hopkins, pp. 348, 350, 356.
3 Dailey, pp. 183, 187; Hubbell, p. 191.
4 White, p. 247-249.
5 Burn, pp. 300, 303.
6 P. 239.
7 Flint, p. 65.
8 Flint, p. 66; Piel, p. 673.

PRICES OF PRODUCT.

It is perhaps natural for the combinations to attempt to take credit for any decrease in the price of their finished product, stating that this decrease has come about from the various economies which have been made by the combination, and from their willingness to be reasonable in their dealings with the public; or to cite instances of decrease in price as showing that although they may have a large amount of capital they are still subject to competition and are unable to control prices.

On the other hand, when prices in products manufactured by the combinations have increased, it is not unusual for them to call attention to the conditions of the market which have brought about this increase, as, for example, a very largely increased demand for the product, or increase in the price of the raw material, or increased wages, or some other similar factor.

Mr. White, the president of the National Salt Company, says that before the organization of that company prices had fallen so low that they were unremunerative. He submits a table covering several years, which shows a gradual decrease in price until the formation of the company, and since that time quite a decided increase. The average for the year 1896 was $40\frac{1}{6}$ cents in Michigan; in 1899, $38\frac{4}{5}$ cents; in 1900, 47 cents, and in 1901, 55 cents. He thinks, however, that the average price in the different markets is less than the average price of 5 years ago.

It has been one purpose of the company to equalize prices in view of prevailing freight rates, but he thinks that the company is entirely justified in making prices high enough to insure a reasonable rate of profits to the manufacturers, and that they were not high enough for that before. In cases where the retail price of salt has increased very materially, as, for example, from 90 cents a barrel to $1.40, he urges that the price of cooperage stock has advanced about 60 per cent, wages have also advanced, and the prices of coal and transportation are both increased. The small consumer pays no more at retail than formerly. The grocer loses. He used to buy a 5-cent bag of salt for 2 cents and sell it for 5. Under the higher prices he pays $2\frac{3}{4}$ cents and must still sell for 5 cents.[1] In Mr. White's opinion, in a good many cases, the high prices paid by consumers are due rather to the demands of the grocers and the high profits made by them than to any increase in price on the part of the manufacturer.

He is of the opinion that, generally speaking, his company fixes the price for the market, and that outside manufacturers generally follow these prices, cutting just enough to get business.[2]

Mr. Taylor, the secretary-treasurer of the Standard Rope and Twine Company, says that the National Cordage Company, feeling that it had largely control of the market, pushed the prices higher, both of the raw material and of the finished product, than the conditions of business would warrant. It put the price of hemp as high as 15 or 16 cents a pound, being anxious to secure complete control. Naturally the price of the finished product went up with the price of the raw material. On the other hand, it was to be kept in mind that the National Cordage Company ultimately failed because it was unable to control capital enough to hold its large stock in hand. The business being done largely by seasons, it is usually necessary to carry a very large stock. In 1893, owing to the unsettled condition of the market, the company was unable to borrow so largely on its stock of goods as it had been accustomed to do. In consequence, it was compelled to attempt to issue new preferred stock in order to raise capital to carry on its business. This created distrust, and eventually led to the underselling of its stock, and it was finally thrown into the hands of a receiver. The failure of the company led to throwing its product on the market, and the prices of cordage fell to a point lower than had been known for many years. The price of hemp, for example, went to below 4 cents per pound, although it had been as high as 15 or 16 cents within a comparatively short time before. The finished product,

[1] Pp. 266, 267. [2] P. 260.

of course, fell correspondingly. The stock of binders' twine thus thrown on the market—"bankers' twine," as it was called—made the business very unsatisfactory for a considerable time.[1] While the company was successful it had so large control of the market that the Plymouth and Fitler companies were in the habit of letting it fix the price, they following closely.

The price of news print paper, according to the testimony of Mr. Norris,[2] before the organization of the International Paper Company, had been very low, averaging $1\frac{3}{4}$ cents per pound. This had so cheapened the cost of producing newspapers that the daily and Sunday editions had been very much enlarged. The retail price of newspapers had fallen to 1 cent, and there had been an enormous increase of circulation. The organization of the company, with the effort to pay dividends on its large capitalization and with the high salaries paid to its officers, had, in the opinion of Mr. Norris, resulted in an increase of $3 per ton in the cost of production, although the labor cost had been reduced. He thought that the cost of selling had been largely increased through the sales department, since the sales were made no longer by managers specifically interested in the company, but by a salaried sales agent.[3] Mr. Chisholm, on the other hand, the president of the company, although acknowledging that the prices of news print paper have been increased, explained the matter in a different way. He declared, first, that the prices which prevailed before were so low that there was no adequate return on the capital. Moreover, the very great increase in demand after the beginning of the Spanish war had justified an increase in price. The improved quality of the paper and the increase in wages accounted also in part for the increased price.[4] The result of the increased price of paper had been, according to Mr. Norris, a reduction in the size of some newspapers, an increase at times in the advertising rate, and an increase in the price of the newspapers themselves, with a consequent falling off in circulation to the detriment of the public.[5]

Mr. Hillyer, lawyer of Atlanta, states that the combination of cast iron pipe manufacturers caused the city of Atlanta to pay $6 or $7 per ton more for pipe than should have been paid.[6] He is of the opinion that industrial combinations in general are formed for the purpose of putting up prices. Although their savings might permit them, through concentration of management, to lower prices, it is comparatively seldom that that has been the result. Wherever there has been lowering in price of products by combinations, in his judgment this lowering is due rather to improvements in methods of production which have reduced the cost, and which would have been made regardless of the combination.

Mr. Mayer, of John Lucas & Co., glass dealers, declares that the Pittsburg Plate Glass Company has advanced the price of plate glass within 3 years at least 150 per cent. The size 12 by 60 inches 2 or 3 years ago sold at 75 cents a light; at the time of his testimony, at $1.88. The size 24 by 60 inches sold at $2.40; after the combination at $6. The size 24 by 84 inches formerly at $4.55; later at $11.38. In his judgment this increase in price has been due almost solely to the combination, aided by the protective tariff, which has prevented free importation of plate glass.

Some glass, however, is still imported in spite of this increase in price, and he offers no explanation of that fact, although it would seem to imply that European prices must also have risen greatly.[7] Mr. Pitcairn, president of the Pittsburg Plate Glass Company, admits that in 1897 prices were much lower than in 1901, but declares that was an exceptional period, when business was in its most demoralized condition. While not denying the specific statements of Mr. Mayer, he declares that

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[1] Waterbury, p. 134; Fitler, p. 147; Holmes, p. 144; Taylor, pp. 155–156.
[2] P. 408.
[3] Pp. 407 to 424.
[4] Pp. 433, 435.
[5] P. 421.
[6] Pp. 11–12.
[7] P. 219.

the sizes given are exceptional. He adds: "The actual cash returns received by this company show that the average advance of glass from that period has been only from 50 to 60 per cent, and not 150 per cent, as alleged. This is computing upon the entire sales of all sizes of plate glass. Some of the preferential buyers are now buying certain sizes of plate glass at prices lower than before the industrial revival of 1898." He adds that "in addition to this fact, there has been a great increase in the price of materials." He thinks that the average increase in raw materials is about 85 per cent. Wages have also advanced.[1] While he grants that there has been a great increase in price of some sizes, he declares that about two-thirds of the product of his company is sold in sizes under 10 square feet without profit, and that part of it is sold at a loss. It has been possible to make this low competitive price in certain special sizes, because by making those sizes they would not increase their general expenses of the cost of distribution or of material; and if they could get the bare cost of materials and labor entering into their product, they could afford to take that price in order to keep the works running and the men employed. Considered by itself, on the same basis as their whole business, this would be done at a loss of 10 or 15 cents per foot.[2] The general result of the testimony on plate glass would seem to be this, that the combination has been able to control to a considerable extent the prices, but that there is much excuse for an increase in the prices of some sizes, owing to the conditions of the business.

The real cause of the complaint was not that companies had combined, but that the consolidation had taken the jobbing trade under its own control, hence the retailers of small sizes no longer have an opportunity to sell larger sizes and make a profit therefrom.

Before the organization of the National Wall Paper Company, according to the testimony of Mr. Burn, its president, there had been various agreements among manufacturers under which prices were fixed and maintained at a high point. There was, however, great difficulty in enforcing penalties, and the agreements were frequently broken. After the National Wall Paper Company was organized there was an increase in price—enough to make the business remunerative, although it was not exorbitant. The prices were definite and uniform. It had been expected, however, that most of the profits of the combination would be made rather by economies than by increase in price. It attempted to do without the services of some of the middlemen. The result of this effort, however, was that the jobbers united to encourage its competitors, encouraged new factories to start, and also profited by the prejudice of the public against trusts.[3] The larger company also could not undertake individual competition, and had to give to all buyers the benefit of the lowest figures.[4] These facts in Mr. Burn's judgment seemed to show that in the wall-paper business, at any rate, it was not possible for a combination to maintain high prices for any length of time. The prejudice of the public, together with the ease with which competition could be established, soon brought prices back to a competitive rate.

The testimony of substantially all of the combination men is to the same effect—that unless a combination has either some natural monopoly of the raw material, or is protected by a patent, or possibly has succeeded in developing some very popular style or trade-marks or brands, any attempt to put prices at above competitive rates will result eventually in failure, although it may be temporarily successful.[5] On the other hand, by securing control of trade-marks, or by creating a demand for certain brands through skillful advertising, very material advances in prices may often be

[1] Pp. 231, 232, 235.

[2] Pp. 235–240.

[3] Pp. 283–292.

[4] P. 295.

[5] Chapman, p. 110; Flint, p. 89; Schwab, pp. 455, 456; King, pp. 504–506; Burn, p. 293, 301. 304; Butler, p. 490.

made. For example, the Royal Baking Powder Company has been able to keep up the price of its products owing largely to the fact that the people demand its brands.[1]

In similar ways, by extensive advertising, the alum baking powder companies have succeeded in extending very largely the sales of their goods, although at much lower prices.[2] Others effect sales at good prices in other ways.

The sales of the various baking powders have also been extended or restricted by other means. Apparently the Royal Baking Powder Company has attempted to extend its sales and lessen the sales of its rivals by advertisements in which it charges that alum baking powders are injurious to health, whereas the manufacturers of alum powders defend their powders as being wholesome, and in their advertisements charge that cream of tartar baking powders are unhealthful. They also encourage sales through offering prizes with their products.[3] Their sales are also at times restricted by adverse legislation, which is predicated on the ground of protection to the health of the community, but which they think is instigated by the Royal Baking Powder Company. Whatever may be the merits of the special controversy in question, the prices on both sides are to a very great extent fixed by the partial monopoly that comes through the exclusive use of trade-marks and through the skillful advertising employed to uphold their value.

Somewhat similar results, although brought about with apparently no feeling of hostility on the part of rivals, have been secured by the American Caramel Company, the American Chicle Company, and others of a similar nature.[4] As a general principle, however, Mr. Flint makes the statement that the only way in which a concern can destroy competition is by creating and maintaining facilities for a lower cost of production, and by making a lower price to the consumer than others can make. Industrial combinations, he says, "unless they are favored by Government franchises or by Government patents, are subject to the law that the lowest price makes the market."[5] In his judgment, the ultimate result of industrial combinations will be a reduction in prices, although that result has not as yet in all cases been brought about.[6]

Mr. Grimwood, in speaking of cordage, is of the opinion that, considering the experience of the cordage manufacturers, the tendency would now be for the managers of combinations to make the best goods at the lowest prices, and to put them on the market at only a fair profit, so as to keep prices down.[7]

On the other hand, Mr. Klinck, a meat packer of Buffalo, and a large dealer in meats and salt, is of the opinion that the salt combination has increased prices far beyond a reasonable extent. It is his opinion also that various other products which he needs to buy in his business as a packer have had their prices materially raised by combinations. He submits detailed statistics to prove his contention.[8]

In the case of the iron and steel industry the general impression seems to be that so far, at any rate, it has not been possible for the combinations to maintain prices materially above what the market conditions would justify. It is doubtless true that in many cases, even earlier, there have been temporary combinations, pools, in certain lines of industry which have kept prices up, but these have ordinarily been short-lived. If prices are advancing, the pools stand; if prices fall, they go to pieces.[9]

The very great increase or decrease in the prices of iron and steel seem to be due rather to other causes. Mr. Butler says, for example, that the extreme fluctuations to which the iron and steel market have been subject seem to be due largely to the fact that the middlemen, whenever there comes an increased demand, fear that there is going to be a scarcity, and so call for more than they really need, in this way

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1 Morris, p. 74.
2 Morrison, 382; Morris, 73; Morrison, 374.
3 Morris, 73–77; Morrison, 373, 379, 383.
4 Flint, pp. 54–65.
5 P. 89.
6 P. 90.
7 P. 123.
8 P. 275.
9 King, pp. 501–502; Butler, p. 488.

making a demand that is abnormal. In order to meet this apparent demand and check it, the output is increased and prices are raised beyond what would otherwise be justified. When at length it is found that there has been an oversupply made ready for the market, prices begin to fall, and these same middlemen, fearing that they will be caught with too large stocks on hand, cut prices until they fall below what the market conditions would really justify. In his opinion, apparently, as well as in that of many of the men associated with the combinations, the effect of a great combination would be rather to prevent these abnormal fluctuations than either to increase or to decrease materially the general average prices.[1] The power of the combinations, in the minds of most of these men, depends to a considerable extent upon the condition of the market. When there is a depression in prices, a combination controlling, as does the United States Steel Coporation, from 65 to 75 per cent of the output would not be able to fix prices to any considerable extent. When, on the other hand, the demand was so great that all establishments were running full, it could aid in steadying prices or in fixing a rate beyond which none could go.[2] None of the steel manufacturers seems to think that there is any great danger of monopolistic control of prices from the existence of the United States Steel Corporation.

SPECIAL PRICES IN LOCAL MARKETS.

The charge has been very frequently made that the great combinations are able at times to follow their smaller competitors into local markets, to make prices very low there in order to ruin their rivals, then to recoup themselves by higher prices in the general market. Such a course of procedure is generally looked upon as an unfair method of competition.

So far as evidence has been taken before the commission it does not seem that this practice has been followed by the steel manufacturers.

Regarding the Standard Oil Company the charge was substantiated more or less completely, and was even acknowledged by some of the Standard Oil officials themselves to have been their practice in individual cases.[3]

Mr. White, president of the National Salt Company, says that naturally his company sells low where there is competition, and recoups itself off the general market. He considers this procedure perfectly proper, and, on the whole, advantageous to the public. The company does not have a complete monopoly anywhere. There is not a town in the country which its competitors can not reach if they wish to. It is not possible to put up the prices in Kansas to an extraordinary point to make up for loss in killing competition in New York. On the whole this procedure, in his judgment, will tend toward an evening of prices, and toward lower general rates from which the public will not suffer.[4] It is probable that this defense and the acknowledgment of similar practices would be made by managers of other combinations, but such testimony has been seldom given.

The two other prominent cases in which such charges have been made before the commission, although with different elements also entering, are those of the General Aristo Company and of the Continental Tobacco Company; such charges were made by rivals of the General Aristo Company, whose material is sold by the Eastman Kodak Company as a general sales agent. Mr. Dailey and Mr. Carbutt, rival manufacturers, said that the General Aristo Company regularly sold its papers at a discount of 15 per cent from list price; then at intervals it paid an additional rebate of 12 per cent to those who had not handled paper of any other make. They declared that later the company went still further and determined to refuse entirely

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[1] Butler, p. 603; King, pp. 501–505; Schwab, p. 453–454; Hopkins, 513.
[2] Schwab, p. 465.
[3] Vol. 1, pp. 569, 571, 506, 792, 799, 366–370, 704–709, 711, 764, et passim.
[4] Pp. 262–263.

its goods, including the goods of the Eastman Kodak Company, to all dealers who handled independent paper. In this way, inasmuch as some of the goods under the control of the Aristo Company or of the Eastman Kodak Company were in general demand, dealers found themselves compelled to refuse independent papers and to limit themselves to those manufactured by the General Aristo Company. They considered this method of dealing unfair and injurious to public interests, if not even illegal.[1]

In behalf of the General Aristo Company, Mr. Abbott, the vice-president, and Mr. Hubbell, counsel, stated that the Eastman Kodak Company, as general agent for the General Aristo Company, offers the goods of the two companies to all dealers at a trade discount of 15 per cent, and gives an additional discount of 12 per cent to dealers who handle their goods exclusively. Mr. Abbott thinks it doubtful if the kodak company would sell anything to a dealer unless he confines himself to its line. The dealer has the option of handling either its goods or other lines of goods. If any compulsion is put upon the dealer, that comes from the consumer. Generally speaking, he says, exclusive agencies are not given, though at times they are. Inasmuch as the company has been at great expense to build up its trade by sending special agents about to educate photographers in the particular use of the company's goods, he thinks it is justified in asking this exclusive use. He sees no reason why they should educate photographers for the benefit of their competitors.[2] Mr. Hubbell, on the other hand, does not go quite so far. He says that the Eastman Kodak Company and the General Aristo Company do offer special discounts to those who handle only their goods. Such contracts, he thinks, are not contracts in restraint of trade as defined in the statutes, but are entirely justifiable.[3]

It seems to be generally conceded on both sides that the prices asked by these companies are higher than those asked by independent companies, but the representatives of the combinations claim naturally that this is due to the excellence of their goods. The charge that their prices have been materially increased within a year or two[4] is denied by Mr. Abbott, who claims that there has been no raising of prices of the papers of the General Aristo Company in any instance, whereas in some cases there has been a decided reduction.[5]

It was charged by some of the competitors of the Continental Tobacco Company that in the New England States that company gave special discounts to dealers who handled only its brands, making the price without this special discount so high that dealers could not afford to do the business without it. Inasmuch as the brands controlled by that company were those popular in that territory, constituting, in fact, probably 90 per cent of the entire purchases, it was felt that this method of conducting business resulted substantially in a monopoly and in an unfair treatment of their rivals.[6]

On the other hand, Mr. Duke, president of the American Tobacco Company and of the Continental Tobacco Company, says that neither of these companies offers special terms to dealers on condition that they handle its goods exclusively, nor has this been done lately by agents in either of the companies. At one time the American Tobacco Company did give dealers a larger commission for handling its goods exclusively, but that policy was abandoned some years ago. The companies do not rely on the jobbers to make markets for their goods. They rely on the demand of the consumers. The Continental Tobacco Company, he says, has endeavored to persuade dealers in New England to sell tobacco on a basis of 2 cents per pound profit, but it adopted this plan at the solicitation of the jobbers.[7]

Mr. Lee, treasurer of the American Tobacco Company, confirms Mr. Duke's state-

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[1] Pp. 183–187; 174–182.
[2] P. 201.
[3] Pp. 192–195.
[4] Dailey, pp. 185–186.
[5] Pp. 200–203.
[6] Campbell, pp. 306–314.
[7] Pp. 321–330.

ment so far as his knowledge goes, but he has been with the company so short a time that he does not pretend to have a thorough knowledge of its methods of doing business. He states, however, that he is himself the president of a large jobbing house and that this house handles perhaps as many independent goods as it does those of the American and Continental tobacco companies, and that he has never been asked to make any exclusive contracts. He says that at one time the American Tobacco Company did give a rebate to jobbers, provided that certain fixed prices were maintained. This plan (the factor system) most jobbers favor, and he himself thinks that that is practically the only way in which a profit can be maintained on staple goods, such as sugar, tobacco, and coffee.[1]

The rival companies, through Mr. Campbell and Mr. Landstreet, produced several affidavits to show that the practice of special discounts for exclusive sales is still maintained in New England. Still further, they claim that there is local price cutting, to their detriment. For example, Mr. Landstreet states that the price of one brand of cigarettes made by the American Tobacco Company has been reduced to $1.50 a thousand in North Carolina and Virginia, while the same brand in New York is sold at much higher prices—from $1.65 to $2.50. This price of $1.50 per thousand, with a 2 per cent discount off for cash, is 3 cents less than the Government tax. He thinks that the cut has been made to drive out the Wells-Whitehead Company, which manufactures the Carolina Bright cigarette. Mr. Duke says that in the tobacco trade it is often desirable to reduce prices very low for the time being, in order to introduce a brand. This is perhaps cheaper at times than to spend money for advertisements in newspapers and for bill posters. It is true that the American Beauty cigarettes are selling in North Carolina for $1.50 per thousand, with 2 per cent off for cash. This is done in order to establish the brand. The same principle was followed in the introduction of the Battle Axe plug, which at one time sold for 13 cents a pound under a 6-cent tax.[2] These prices, however, are not a matter of competition with anybody else. They are to introduce a brand; then the public demands certain brands, and the manufacturer whose brand is liked by the consumer need not fear competition, whereas one whose brand is not liked can not sell his goods at any price.

EXPORT PRICES.

It has been frequently stated that the prices of goods for export are considerably lower than those for the home markets. This is charged against the combinations as a business practice that is not justifiable, and in some instances it is claimed that the protective tariff aids the trust in this practice. On the other hand, not merely the managers of the combinations, but other business men, claim that the practice is justifiable on sound business reasons in the interests of the laborers and consumers as well as of the manufacturers, and that it is one that is practically universal in all countries.[3]

Mr. Schwab, president of the United States Steel Corporation, says that during the last year that corporation exported certain grades of steel at about $23 per ton, when the price for the same goods to home consumers was from $26 to $28 per ton. The reason for the lower prices was that it was desirable to keep the plants running at full capacity. The home demand was not enough to do this. It was not possible to dispose of the surplus at the home price. In consequence a price was made that would sell the goods. He says that this custom has been general among steel manufacturers in circumstances of that kind. Moreover, if the plants were not kept running to their full capacity the cost of production would be so much increased that the price to the home consumer would on the whole be higher than if these export goods were sold at the lower rate.[4] Aside from that fact the laborers would

[1] Pp. 341–342.
[2] Pp. 319–328.
[3] Gunton, p. 633.
[4] Schwab, pp. 464, 454–455.

not be kept employed, and it might even be necessary to cut the wages of those who were working. He considers the working people the chief beneficiaries of all measures taken to increase export business. The sellers of supplies will generally make specially favorable prices for goods to be used in the export trade; the railroads will carry export goods cheaper; but the working people get the same on export products as on those for the domestic market.

Mr. Butler, an iron merchant in Chicago, says that this principle of selling goods for export lower than to home consumers applies not merely to foreign sales, but is practically a universal custom even within the home market. A manufacturer in Chicago, for example, will make, relatively speaking, lower prices to the purchaser in Omaha than to one in Peoria, to one in Denver than to one in Omaha, and to one in San Francisco than to one in Denver. The reason for this is not merely that given by Mr. Schwab, but, still further, the fact that every dealer is anxious to extend his sales, and will make whatever sacrifices are necessary to get the market so long as he is not working at an absolute loss. The farther he goes the greater his expenses are and the greater pressure there is on him; consequently the lower his prices.[1]

Mr. Hopkins, president of the Sloss-Sheffield Iron and Steel Company, says that ordinarily his company has been getting about the same price on its export shipments as on domestic sales. He believes, however, that it is justifiable to sell abroad at lower prices rather than to shut down any American mills.[2]

Mr. King, vice-chairman of the Jones and Laughlins Steel Company, agrees with the statements of other manufacturers regarding the general practice of exporting at lower rates than are secured for domestic sales. During the last year or two, although they have not exported much, they have sold at a dollar or two a ton below the domestic price, most of the difference being made up by the greater cost of delivering to the foreign market.[3]

On the other hand, owing to the advantageous situation as regards raw material and facilities for manufacturing, the International Paper Company has been able to export its goods at a higher price than was secured for the home product. The International Paper Company is establishing agencies for the sale of its product in England, Australia, Japan, and South America. Last year it supplied one-third of the news print paper consumed in Australia.[4] Mr. Chisholm says that last year the export profits on the prices received were the highest in the business.[5]

The American Tobacco Company has established factories in Australia, shipping all the leaf tobacco from this country. It has also factories in Canada. In Japan it consolidated with a Japanese concern, and has a controlling share of the stock. It sells its goods in China and India, although no factories are established there.[6] Mr. Duke states that for the same quality of goods the tobacco companies get a higher price abroad than at home, considering the tax that is paid here. On a certain limited supply of cigarettes which are made cheap the export price has been made lower than the domestic, in order to get into the foreign market.[7]

The Otis Elevator Company sells ordinarily abroad cheaper than in the United States, but this is because the foreign demand is for a lower grade of goods.[8] Usage varies in other companies.[9]

EXPORT PRICES AND THE TARIFF.

Some of the witnesses, notably Mr. Byron W. Holt, secretary of the tariff committee of the New York Reform Club, were of the opinion that the combinations secured much higher prices on their domestic products than would have been possible had it not been for the exclusion of foreign competition by the tariff. In many lines of industry in which there are large combinations, whose products are protected

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[1] P. 493.
[2] Pp. 512–513.
[3] P. 502.
[4] Pp. 438–439.
[5] P. 440.
[6] Pp. 322–329.
[7] P. 325
[8] P. 692.

by the tariff, he made an estimate of the cost to the home consumer of this protection. As a basis of this estimate he took the difference between the domestic price and the export price of the same goods whenever this export price had been maintained for a considerable length of time. His assumption was that the export price was high enough to afford some profit, at least, to the combination, and he thought that the difference between this and the domestic price might fairly be considered an added profit given to the combination by the tariff which excluded foreign competitors.

As such tariff trusts that had secured very large and unjustified profits at the expense of the American consumer through the effect of the tariff he named the American Tin Plate Company, the American Window Glass Company, the Borax Trust,[2] the steel companies, and others. He also called attention to the fact that very many of these industries are closely allied in nature as well as in management, so that their plants can be comparatively easily turned from the production of one kind of goods to some other; and likewise to the fact that the same group of men now practically control a very large percentage of the supply of petroleum oil, of iron ore, of iron and steel, of coal, of copper, of salt, and of "hundreds of products and by-products made from these articles, as well as many local municipal monopolies in gas, electricity, street railways, etc." These same men also control, through "community of interest," several of our principal trunk lines of railroads, of our lake freight steamers, and some of our ocean transport lines.[1]

This state of affairs Mr. Holt believed to be detrimental to the American consumer in two ways: In the first place, as has been intimated, he believed that the consumer pays much higher than he need otherwise do for the products manufactured by the combinations. In the second place, these high domestic prices of products which serve as raw materials in many other industries prevent the starting of new industries here which would be of very great advantage both to the American consumer and the American capitalist. Were it not, for example, for our very high prices of domestic tin, he thinks that our export business in canned fruits would be very greatly extended. He calls attention to the fact that the very low price of sugar in England led to the remarkable development of their industry in preserved fruits, jellies, marmalades, etc. Mr. Holt said that it was impossible for him to enumerate in detail many specific industries that might have been created, but the genera principle was stated clearly.

In this contention he was also supported by Mr. Edward Atkinson. Mr. Atkinson did not believe that the tariff was the "mother of trusts," but thought that the tariff had checked in many cases the development of very many of the smaller industries in encouraging the development of some of the larger ones. He believed that the benefit of protection had been given very largely to a comparatively small minority of the American people, and he did not think that the tariff was needed for the protection of the larger combinations. In the specific cases, where the industry would not exist even under the combination without the protective tariff, he thought it would be better for that industry not to be developed, but for that capital and industrial energy to be turned in other directions.

He believed that not more than 10 per cent of the working forces of the country could be gathered as operatives under the collective systems of the great factory and the great workshop. He thought that not 5 per cent of the people of this country could be protected by a duty on foreign imports; and that it would have been wiser, instead of developing the cruder forms of iron manufacture by our tariff, an industry which has since been organized into combinations, to admit these crude products free of duty and to develop the higher arts of manufacturing, which require more intelligence and skill.

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[1] Pp. 553-568. [2] But see Wheeler and Humphris, pp. 714, 715.

He thought also that the prices of certain goods, of which he mentioned particularly chemical products, were much higher in this country than abroad on account of the combinations and of the protective tariff.[1]

Mr. Henry W. Lamb was of the opinion that the tariff trusts, on account of their freedom from foreign competition, raised and lowered prices in a very arbitrary way; for example, in 1900 the price of lead was dropped without warning, and later when the objects which led to the drop had been obtained the price was as arbitrarily raised.[2] Mr. Lewis H. Lapman, vice-president of the United States Leather Company, says that the tariff is a serious handicap on their business. The price of domestic hides is increased by the amount of the duty. The American tanners have to meet the competition of Canadian tanners in the European markets, and our tariff on hides makes this very difficult.[3]

Mr. Atkinson, Mr. Holt, and Mr. Lamb are of the opinion that on the average our high wages are not the result of the tariff, but rather of the productive power of the country, and that a lowering of our tariff would not result in a general lowering of real wages. If in certain industries money wages would perhaps be lowered, the lessened price of products consumed by the laborer, if the change in the tariff were made general, would be enough to more than offset this loss, while they believed that the stimulus given to other lines of industry by the admission of free goods would so increase the demand for labor along other lines that in all probability there would be an increase rather than a decrease in real wages. Mr. Lamb is of the opinion that the free spirit and liberty of this country make labor much more efficient than in Europe.[4]

Mr. Gunton,[5] who answered especially Mr. Holt, cites tables of statistics to show that during the last year while great combinations were forming the prices of iron and steel had fallen, and cited a similar course in the prices of sugar and various metals. He later said that prices in 1900 were abnormally high, on account of a strong demand and increased wages. In reply to Mr. Holt's statements regarding tin plate, he cited figures to show that not only had prices of tin plate in the United States been lower on the whole since the high tariff of 1890 was imposed, but also that the difference between the foreign price and the American price had steadily and rapidly lessened under the tariff. He thinks that the high price of tin plate in 1900 is mostly accounted for by the high prices of raw materials and increased wages.[6] Following a similar line of argument regarding window glass, he states that under the tariff and the trust prices on the whole since 1880 decreased 24 per cent, while foreign prices increased 2½ per cent. Since the trust was formed in 1899, he says, the prices here have increased 16 per cent and abroad 22 per cent. He also denies any abnormal rise in the price of wire nails. His general conclusion[7] is that there has been no tendency toward an abnormal rise in prices since the large corporations. "The large corporations seem to me to be the natural growth of the increased industry. They are the natural movement toward the maximum economy that can be secured." Regarding especially the effect of the tariff, he thinks that it "has no essential relations to trusts as such, and instead of helping to give them a monopoly it is the one thing that prevents them from having a monopoly, because it sustains their smaller competitors, who could most easily be driven out by free foreign competition."

Mr. Robert W. Tayler, member of Congress from Ohio, says that trusts have only an incidental relation to the tariff. The fact that there are trusts in a protective-tariff country does not prove that trusts are the outgrowth of protection. In the case of tin plate there would have been no industry at all without the tariff; the pottery business has been established by the tariff and there is no trust in that field.[8]

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[1] Pp. 533-543.
[2] P. 587.
[3] P. 687.
[4] P. 594.
[5] P. 626.
[6] P. 630-633.
[7] P. 632.
[8] P. 608.

Mr. Mayer, of John Lucas & Co., in calling attention to the very high prices of plate glass in this country, thought that these prices had been fixed by the Pittsburg Plate Glass Company under the influence of the tariff, and that it would be just if the tariff on those special articles were reduced, so that the combination could not exact more than what he believed to be the fair price. Likewise Mr. Elliott, on behalf of the Philadelphia Paint Club, protested against certain features of the tariff. The club declared itself in favor of the protection of American manufactures generally, but thought that the development of American industry in many lines and the consolidation of combinations of producers had rendered existing duties in certain industries excessive, and in other cases had left the consumer without the benefit of competition as a factor regulating prices. The members stated, therefore, their belief that the development of American commerce in foreign markets would be greatly facilitated and might be obtained by reasonable moderation in the duties upon the raw materials which are shown to be in excess of the requirements both of revenue and of protection. They wish, therefore, to crystallize the sentiment of the country in the direction of the revision of the tariff on more equitable lines. They have particularly in mind the duty on plate glass.[1]

Mr. Pitcairn showed by a table that on sizes of plate glass up to 24 by 30 inches the Wilson bill made no change; that the Dingley bill made an increase of 3 cents a square foot on sizes up to 16 by 24, and of 2 cents on sizes from 16 by 24 to 24 by 30. He says that glass of these later-mentioned sizes are now sold at less than cost of production, and that on the larger sizes the Dingley bill had maintained the Wilson bill rates.[2] He also states that European manufacturers of plate glass are united into an international syndicate, but that the American industry has been left out of this international combination, because thus far it has not been able to export its goods, owing to the high cost of production here. The European manufacturers treat the United States as a dumping ground for their surplus, and make prices for export to this country far below their domestic prices. Therefore he thinks the tariff should be retained. For example, he states that the European price for polished plate glass cut to size is for the United States 40 per cent and 5 per cent discount from a certain price list; for England, 10 per cent discount only from the same price list, making the price in England 58 per cent higher than that in the United States. For stock sizes the European discount for the United States is 30 per cent off the list; for England 5 per cent, making the English prices 36 per cent higher than the American. In France he asserts that plate glass is sold at least 100 per cent higher than the French manufacturers export it to this country for. On that account he believes that our manufacturers here still require protection, and that the combination is not securing exorbitant prices.[3]

Most of the other manufacturers, including practically all of the witnesses in the iron and steel industries, in the tobacco industry, in the paper industry, in cordage, and in others, maintained a similar position. In certain instanees, as, for example, in the case of Mr. Schwab, it is thought that in certain lines in which there is comparatively little labor employed the tariff is no longer needed, and that it might be removed without detriment, but these same witnesses are of the opinion that in the cases of manufactures of higher grade, in which there is much labor employed, a reduction of the duties resulting in European competition would necessitate a reduction in wages. In most cases the manufacturers were of the opinion that so little damage, if any, was done by the tariff that it would be unwise to take the risk of disturbing the present prosperous condition of industry by a discussion of any changes in the tariff.[4]

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[1] Pp. 206–208, 222–224.

[2] P. 232.

[3] Pp. 229–230.

[4] King, pp. 499, 506–507; Schwab, pp. 456–458; Butler, pp. 493–494; Hopkins, p. 516; Tayler, p. 608; Hopkins, pp. 349–352; Chisholm, pp. 443, 446; vol. xiv, on Manufactures and General Business, Godfrey, p. 478; Harrah, p. 355; Leake, pp. 274, 275; Steel, p. 246; Folwell, pp. 214, 215; Justice, pp. 386–396.

FREIGHT.

While there have been individual intimations that there were perhaps still at the present time discriminations made in freight rates between different shippers, no new specific charges of that kind have been made, with one exception, though Mr. H. D. Lloyd repeated the charges made concerning the Standard Oil Company in the preliminary report.[1] Mr. Klinck asserts that large packing concerns in the West have advantages in transportation. He is confident that some 5 or 6 years ago the shipments in private cars of the combinations were underbilled. He states that when he sold several cars of meat 5 or 6 years ago to one of them "he put 33,000 pounds of meat into the car, and the bills were made out in my office for 22,000." Mr. Klinck's own shipments are made of actual weight.[2]

Mr. Holmes, the treasurer of the Plymouth Cordage Company, says: "All that we ask for is at all times to know that none of our competitors gets a lower rate of freight than we are getting. We should be satisfied if we knew that every one of our competitors had to pay the same rate of freight. Whether it is 20 cents or 50 cents, we don't care."[3] He can make no specific charge, but declares: "There is a feeling of unrest when we have to run around to see whether we can get any special advantages, and sometimes succeed." Most of the larger shippers, such as the smelting companies and the steel companies, state that they pay the scheduled rates of freight and know of no discriminations being made.

On the other hand, attention is called with considerable emphasis to the very great advantage secured by the combinations in many cases through ability to ship from the nearer plants, and to the very important influence of the cost of transportation upon the business. In the smelting business, Mr. Chapman estimates that the saving in transportation charges through these shorter shipments would be over $5,000,000 per year.[4]

Mr. White calls attention to the fact that freight rates on salt have advanced about 30 per cent during the last 2 years, while the minimum carload has been increased from 30,000 pounds to 40,000 pounds.[5] He also says that the high freight rates put the National Salt Company at great disadvantage in its competition with English competitors, especially as the United States is used as a dumping ground for the English surplus product, which is shipped here as ballast. Salt comes from Liverpool to Savannah at an average rate of 75 cents per ton of 2,240 pounds. From the nearest producing point in the United States the freight is about $3 a ton, including cost of handling. Our tariff is 8 cents per pound. It is possible for the National Salt Company to compete, but its prices at the point of production must be lower than the prices received at the point of production by the English producers.[6]

LABOR.

Speaking generally, the witnesses have been of the opinion that the effect of the combinations has been to increase wages, or, at any rate, that during the last 2 or 3 years under the combinations the wages have been somewhat higher than they had been before. It is acknowledged in many of these cases that this increase has been due to the prosperous condition of the country and to the fact that there has been a strong demand for labor. In most cases in the iron and steel manufacture, as well as in several other of the most important industries, the wages are arranged after consultation with the labor unions or with committees representing the employees, and a scale is agreed upon, in many cases this being a sliding scale dependent upon the price of the product.

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[1] Vol. 1, pp. 292, 352, 396, 487, 601, 634, 645, 700–703.
[2] Pp. 274–275.
[3] P. 142.
[4] P. 98.
[5] P. 267.
[6] Pp. 260–262.

Mr. Schwab, president of the United States Steel Corporation, referring to the experience of the Carnegie Company in the strike of 1892, stated his opinion to be that on the whole the labor unions were detrimental to the interests of the laboring men, inasmuch as they tended to check the opportunity for individual effort and to prevent the full development of excellence and power on the part of the individual workmen that otherwise might be secured. He said that in the Carnegie works, although some of the highest priced workmen under the union scale had been receiving very high wages indeed, some two or three times as high as were received in other establishments, owing to the peculiarly excellent facilities in the Carnegie works, nevertheless the average wages had been regularly increased since the mills had become nonunion. In no year since 1892 had the average wages been as low as they were in that year, although since that time the mills had been entirely nonunion. So far as the United States Steel Corporation was concerned, its constituent companies dealt directly with the workingmen, and the United States Steel Corporation, as such, had nothing to do with the question. Most of these companies, with the exception of the Carnegie Company, employed union men—in part, at least—and dealt with the unions. He had nothing to say regarding the policy of the United States Steel Corporation further than to intimate that the matter would be left to the separate companies to deal with as their officers saw fit.[1]

Mr. Chapman said that in the case of the Pittsburg Coal Company wages were adjusted on a sliding scale after conference with the United Mine Workers' Association of America. There was a minimum below which wages did not go, whatever the price of coal. He believed that the leaders of the labor organizations were alive to the advantages of dealing with one concern rather than with the 140 different concerns which had united into the Pittsburg Coal Company. He had understood that the labor interests were well satisfied with the combination.[2]

Since the organization of the American Smelting and Refining Company there have been one or two strikes. Soon after the organization of the company there was one among the Colorado smelters which lasted for several months. He believes that the companies suspended operations in the mines in that vicinity and continued their business in the districts where there was no strike, transferring the work as far as possible. In this way apparently, for the time being, the combination secured an advantage through the union of various interests.[3]

Mr. Holt testifies that since the window-glass combination was formed the workers have had an agreement with the manufacturers, and the factories have been closed on an average of 5 or 6 months each year. The laborers recognize that this is the only way of sustaining the manufacturers' profits and the present rate of wages. The workmen thus share in the tariff profits of the industry, and ally themselves with the manufacturers against the consuming public. Many of the leaders of the workingmen say that it would be better if they could work as ordinary workmen—that is, at somewhat lower wages, but continuously.[4]

Mr. Flint states that in the case of the combinations with which he is connected there has not been since their formation any substantial change in the rates of wages paid. He thinks that the tendency is, on the whole, to sustain wages.[5] He feels also, as do most of the members of combinations, that the tendency is to make work more permanent under the combination form of doing business, inasmuch as the combination is better able to adjust the supply of goods to the demand, and thus to secure regularity in their productive conditions. On the whole, he thinks the wage-earner has never before been so well off in this country as to-day under the combinations.[6]

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[1] Schwab, pp. 460–462
[2] P. 102.
[3] P. 98.
[4] P. 579.
[5] Pp. 89–90.
[6] Pp. 83–90.

It is noteworthy that several of the larger establishments, including some of the combinations, have made provisions in the way of cottages, libraries, playgrounds, etc., for their workmen. The Plymouth Cordage Company, a very large establishment, although not a combination, has done so, as has the American Thread Company and others. In most, if not all, of these cases these provisions had been made before the combination was organized.[1]

Some of the witnesses are of the opinion that the industrial combinations give to the labor unions a decided advantage, inasmuch as it enables them to deal with the trade as a whole instead of with separate manufacturers. For example, Mr. Burn, of the wall-paper combination, states that after that combination had been organized the workmen, who under the separate companies had been employed about 9 months out of the year, demanded that they be employed 11 months. Inasmuch as they controlled a large part of the skilled labor in that industry, the concession was granted. The second year it was granted again. The third year 12 months' employment was demanded and obtained, and in the fourth year the company was compelled to yield its 12 months' employment even with increased pay. He believes that industrial combination is an aid to labor in enforcing its demands. The workmen can concentrate their efforts on one concern instead of dividing them among a large number. They are more likely to strike through the whole trade when there is a combination than when there is none, and it is much easier to replace the amount of skilled labor required in one factory than in most of the factories in the country at the same time. There is a somewhat similar intimation in the testimony of Mr. Chapman regarding the Pittsburg Coal Company, although the statement is not made direct.[2]

SOCIAL EFFECTS.

Little has been said by the later witnesses regarding the social effect of the industrial combinations in the way of separating the community into different industrial classes and of preventing ambitious men from rising.

Questions have been frequently asked as to the amount of capital that is necessary to start competition with some hope of success in an industry in which there is a large combination. This question has brought out distinctly the fact that some industries seem peculiarly well adapted to secure more or less monopolistic control through combinations, whereas others have little opportunity in this direction. For instance, it was testified by Mr. King,[1] that a capital of $20,000,000 to $30,000,000 would be needed in order to build and equip for efficient competitive work a steel plant. On the other hand, Mr. Waterbury is of the opinion that $100,000 would build and equip well a cordage factory, and that with a like amount for working capital the factory might expect to do a successful business, although it would not be quite so economical as a larger one.[3]

Mr. Klinck gave a specific example in which a company with a comparatively small investment of capital had been able to start its own salt well, and in fact practically to force the National Salt Company to sell to it at reasonable rates one of its special plants, in order that the meat packers might thus supply themselves with their own salt at low cost. It is of course true that the circumstances in that special case were somewhat peculiar.[4]

On the whole, the evidence goes to show that in very many lines of industry the independent manufacturer is able to hold his own against the combination, provided he shows an equal amount of intelligence and energy in looking out for his own interests. In several cases it was distinctly stated by men who had themselves been leading officers in combinations that, all things equal, they would prefer the position of the independent competitor instead of that of the manager of the combination. Notably was this true in the case of the wall paper and cordage combi-

[1] Hopkins, p. 345–350; Holmes, p. 144.
[2] Burn, pp. 293–302; Chapman, p. 102.
[3] King, pp. 504–506; Waterbury, p. 132.
[4] Klinck, pp. 271–273

nations, both of which it will be recalled proved unsuccessful, although they were apparently managed with much skill, and failed rather from special circumstances connected with the business than from poor management.[1]

The witnesses seemed to be of the opinion that while it may be more difficult at times for a man with little capital to enter business independently than it was before the days of the greater consolidations, the opportunities for a young man of intelligence who wishes to begin as an employee and work his way up are much greater now than ever before. Not merely are the salaries higher and the rewards much greater for men in commanding executive positions, but there is much less opportunity of favoritism in a great company managed by many diverse interests than in small companies where the personal relations are closer. Merit, in the sense of ability to manage, is more readily recognized and more certainly rewarded, and the rewards are much greater than ever before.[2]

DISADVANTAGES.

The advantages of combinations and the savings which it is thought they effect have been considered in an earlier paragraph. Most of the witnesses have recognized that there are certain disadvantages connected with most combinations. One of the most frequently noticed disadvantages is the difficulty of securing managers and superintendents who will take the same personal interest in the work that is taken by an independent producer who owns his establishment. To obviate this difficulty many of the companies have found it advisable to pay their superintendents and officers in part in accordance with the results secured. Mr. Flint says, for example, that this plan has been followed by the Rubber Goods Manufacturing Company. Mr. Schwab states that this plan has been followed by the Carnegie Company, and it is the intention to follow the same plan so far as possible in connection with the United States Steel Corporation.[3] Mr. White states also that the salary of the president of the National Salt Company is dependent to a considerable extent upon results.[4]

Mr. Waterbury thinks that in the cordage business, and perhaps in most lines of business, a single large mill properly run is better than a combination of mills.[5] This is partly due to the reason given above; partly, also, it is a question of executive ability. To run a number of plants together is very difficult and requires a high order of intellect. For this reason there may be a limit set to the size and range of work of the combinations.[6]

A second way of overcoming this difficulty of lack of interest is, of course, that of comparative bookkeeping, by which the different establishments in the combination are regularly compared with one another in all the details of their working. This system of frequent detailed reports is followed in practically all of the combinations.[7]

Mr. Holt is of the opinion that the trusts form a very corrupting influence in politics, largely owing to the fact that they are protected by the tariff, and in consequence have found it advisable to send agents to Congress to dictate tariff legislation.[8] He thinks also that they deceive the public regarding the nature of the business and of the business of the country through juggling with prices and statistics.[8]

Mr. Hillyer,[9] as well as some of the other witnesses, thinks that the aggregation of power brought about through combination is a dangerous element and a menace to the political independence of the people.

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[1] Atkinson, p. 522; Waterbury, pp. 132–133; Burn, p. 295.
[2] Schwab, p. 459.
[3] Flint, p. 84; Schwab, pp. 450–452, 456–462; Burn, p. 295.
[4] Pp. 252, 253.
[5] Pp. 132, 133.
[6] Waterbury, pp. 132–133; Flint, pp. 84, 87, 88.
[7] White, pp. 252, 253; Flint, pp. 84, 85; Taylor, p. 158; Schwab, 452.
[8] P. 554.
[9] Pp. 15–18.

Mr. Spalding endorses this opinion. He believes that it is natural for men to charge all that they can get. The combinations also, in his opinion, diminish individual effort and deprive the individual of the opportunity of rising.[1] He also is of the opinion that their overcapitalization is a serious evil. Overcapitalization, in fact, is mentioned by many witnesses as one of the prominent evils, as has been noted in the section on capitalization.

Mr. White is of the opinion that large corporations labor under the disadvantage of being unable to cater to the whims, the prejudices, the ignorance, or the tastes of individual customers. A combination must manufacture certain standard goods whose production can be systematized, whereas the individual producer may meet any whims or prejudices of his customers, so long as they will pay for them.

The closing of factories has been spoken of by some as an evil, although by others it is mentioned as a benefit, inasmuch as it forms a means of saving at times in the cost of production. In most of the combinations it has been found advisable to close some establishments and to transfer the workmen to other branches of the work. At times a special locality is thus made to suffer severely. A similar result is found, of course, in the discharge of traveling men. It has its evil side as well as its beneficial effect that comes from the lessened cost of production. In many cases it has been found that where these men have been discharged, work has been found for them in other departments of the business, although, of course, there are a good many individual exceptions. Mr. La Taste testifies that, speaking generally, he thinks the combinations have discharged a great many traveling men, and that, on the whole, the sentiment of the traveling men throughout the country is against the combinations. They think that they are injurious, not merely to them as a class of workingmen, but also to the interests of the public generally.[2]

REMEDIES.

Of the later witnesses that have been heard, the larger number are of the opinion that comparatively few, if any, legislative remedies are needed. The witnesses whose inclinations are strongly toward free trade are of the opinion that the removal of the tariff on goods controlled by the combination would be the best, or at any rate the most nearly practicable remedy. Mr. Stockwell, secretary of the Massachusetts State Board of Agriculture, says that in every case of a large combination or trust the world's market should be opened to this country.[3]

Certain other witnesses, not themselves apparently free traders, seem to indorse this opinion to a certain extent. For example, Mr. Flint[4] is of the opinion that one of the possible evils to American industry would be a tariff war on the part of the leading European countries. He would, in consequence, recommend that certain changes be made in the tariff, and that "in revising duties the fact of these large consolidations being in a position to gain advantages in manufacture should be taken into consideration," in order to check the danger of a tariff war on the part of European countries. He is, however, opposed to any legislation that would discriminate against trusts in general without discriminating, and is opposed to any general revision of the tariff. Most of the manufacturers object to having the tariff interfered with.

Hon. Robert W. Tayler says that the Babcock bill, which proposes to remedy the evils of trusts by removing the tariff from trust products, is objectionable because such legislation would destroy the possibility of manufacturing by independent plants the goods now protected under the tariff, and would simply put strength into the large combinations. The passage of the Babcock bill would be to the advantage of the United States Steel Corporation more than to that of any other concern or person. He suggests the same result regarding tin plate.[5]

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[1] Pp. 2, 6, 11.
[2] La Taste, pp. 21–32.
[3] Vol. X, on Agriculture, p. 897.
[4] P. 86.
[5] Pp. 601; 603–604; 607–608.

Probably more of the witnesses think that something could be gained in the way of greater publicity regarding the business of the combinations. For example, Mr. Campbell thinks that corporations whose stock is sold to the public on exchanges should be under Governmental control. He would be willing to have the regulation go even further than a mere publicity of accounts.[1] Mr. White believes that the State has the right to say how the combinations should be regulated, and thinks it possible that some tax might ultimately be placed on what would be considered excessive earnings, the actual earnings to be found out by a complete system of Governmental inspection of accounts.[2] Mr. Flint also favors a proper system of auditing and accounting to regulate the issuing of securities, but thinks that affairs of trade are in the main best regulated by natural laws.[3]

Mr. Chapman thinks that it is possible that the amount of capital stock ought to be limited in certain cases, but sees no way of doing this by legislation, and believes that generally it is unwise to attempt to control business by legislative enactment. Mr. Waterbury and Mr. Grimwood both think that legislation is unwise; that a combination which does not benefit the public will be destroyed by competition.

Some of the witnesses speak distinctly against even any special degree of publicity. Mr. Schwab, for example, thinks there ought not be publicity regarding the business of corporations, and that though the stockholders are entitled to certain statements, even those should be somewhat limited.[4] Mr. Taylor thinks that any legislative interference seems to involve a restraint of trade, to lessen competition, and would therefore be unwise.[5]

Mr. Gunton advises that, if possible, the combinations be put under a national charter, and that they be forbidden to make special low cuts in certain localities to ruin competitors.[6]

Two or three of the witnesses go considerably further and along the lines that meet with less general acceptation. For example, Mr. La Taste thinks that the system of single tax on land values would be a remedy.[7]

Mr. Hillyer thinks that the Sherman law should be rigidly enforced, and that the tariff should be removed; there should be Government ownership so far as municipal combinations are concerned; and, if necessary, the Government should itself ultimately go into the business of manufacturing the products manufactured by the trusts. He would be ready now to have the United States Government control the railroads, telegraphs, and long-distance telephones.

Mr. Campbell thinks that the corporations whose stocks are sold on the exchanges should be under Government control, as does Mr. Landstreet.

Mr. Campbell believes that corporations should also be prohibited from making contracts with purchasers of their goods to the effect that the goods of other companies should not be handled. He would like, if possible, to make such a law national, but is certain that it should be made in the different States.[9]

Mr. Spalding thinks that trusts are a national question; the remedy must be a national one. He believes that it is practicable to enact national legislation which will forbid any trust to put down prices so as to destroy competition or to put them up to a point of extortion. Legislative regulation of prices should not go further than that.[10] He thinks that trusts might be abolished by Congress by a law similar to that which broke up the lottery business. They might be forbidden to use the mails or be forbidden to ship their products across State lines. If a trust should build a plant in every State to supply the wants in that State in order to evade the above-mentioned law, that would do away with many of the offensive features of the combinations. The trusts should certainly give publicity to their operations, and he would favor any method of dealing with them which could constitutionally be adopted, either under the power to regulate interstate commerce or under the taxing power.[11]

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1 Pp. 311, 315, 316.
2 P. 265.
3 Pp. 92–93.
4 P. 474.
5 Pp 489–498.
6 Pp. 634, 638, 639; Campbell 311, 315, 316.
7 P. 29.
8 Pp. 15–17.
9 Pp. 311–316.
10 Pp. 5–7.
Pp. 4–8.

CONTENTS OF TOPICAL DIGEST.

TOPICAL DIGEST OF EVIDENCE.

I. THE RUBBER COMBINATIONS.

A. Description of business and extent of control.—Mr. Flint says that 97 per cent of the business of the United States Rubber Company is in boots and shoes, and that the company controls about 70 per cent of the output of rubber boots and shoes in this country. The Rubber Goods Manufacturing Company manufactures all kinds of rubber goods, other than boots and shoes. It manufactures 10 different classes of rubber goods. Some of these are protected by patents, and therefore the company has a monopoly in those particular lines. In other lines it manufactures from 25 to 75 per cent of the output of the country. (34.)

Mr. Flint states that there is general and active competition in this country in all rubber goods excepting those which are manufactured under patents or trade-marks, and the lowest price makes the market. The United States Rubber Company and the Rubber Goods Manufacturing Company handle about 55 to 60 per cent of the rubber trade of the United States. (82.)

B. Organization and capitalization.—1. *The United States Rubber Company.*—Mr. Flint states that the organization of the United States Rubber Company was initiated by an agreement under which the parties subscribed $1,500,000 for the purpose of acquiring interests in rubber companies engaged in the manufacture of rubber boots and shoes in the United States. The authorized capital is $25,000,000 8 per cent preferred stock and $25,000,000 common stock. It was provided that preferred stock should be limited to the amount of the tangible assets. The tangible assets were determined to be the value of the plant, machinery, tools, and fixtures, and the value of all other assets above liabilities; accounts to be guaranteed by the manufacturer whose interest was acquired. It was provided that the amount of common stock should be substantially equal to the issue of preferred stock. According to a memorandum submitted by Mr. Flint, common stock was to be issued, "among other things, to represent the increased earning capacity by reason of the consolidation of the interests acquired." It was provided that the pay of the promoters should be limited to 5 per cent of the total stock issued, and that the 5 per cent should cover the charges of lawyers, accountants, and appraisers, and the services of bankers and promoters. (47, 48.)

2. *Rubber Goods Manufacturing Company.*—Mr. Flint states that the first move in the organization of the Rubber Goods Manufacturing Company was the formation of what is called a blind pool. Parties subscribed $5,000,000, of which $3,000,000 was allotted. This fund was deposited in the Central Trust Company to be invested in the purchase of rubber properties. In the purchase of the properties the vendors were allowed to choose whether they would take their pay in cash or in the stock of the new company. In some cases they took all cash, but the preference was to take part cash and part stock. The syndicate members who advanced cash received for every hundred dollars $100 in preferred stock and $90 in common stock. Manufacturers who entered the new company received stock on exactly the same basis. (37, 47.)

The purchase of the plants was, however, entirely in the hands of the promoters. If they could buy for 100 per cent of the preferred stock and 90 per cent of the common stock of the new company they made 10 per cent of the common stock; if they had to pay more than that they made less than 10 per cent; if they could buy for less than that they made more than 10 per cent of the common stock. They had to keep within the limitation that no preferred stock was to be issued in excess of tangible assets and no common stock in excess of the 7 per cent basis established in the organization of the company, as explained below. (38.)

The authorized capitalization is $25,000,000 preferred stock, with cumulative 7 per cent dividends, and $25,000,000 common stock. The issue of preferred stock has been limited to the amount of the tangible assets. The tangible assets were specified to include plants at appraised value; merchandise, raw, wrought, and in process, at market value; manufactured goods at about cost; receivables guaranteed by the vendors and secured by collateral deposited with the trust company—the collateral deposited amounting to 15 per cent of the preferred and common stock received by the vendors. From the total values there were deducted liabilities, if any, and preferred stock was issued for the net result. The company owns a large number of patents and trade-marks of great value. Common stock was issued to represent the value of good will, patents, and trade-marks. The issue of common stock was limited to $14\frac{2}{7}$ times the amount of the net earnings of the separate companies during the year previous to the organization of the new company. That put the issue of common stock on a 7 per cent basis. (37, 47.)

C. Relations between the American Bicycle Company and the Rubber Goods Manufacturing Company.—Mr. FLINT says that 40 of the customers of the Rubber Goods Manufacturing Company united in a company known as the American Bicycle Company. The American Bicycle Company owned 3 rubber manufacturing companies and were in a position to manufacture all the tires they wanted. After some negotiation the American Bicycle Company sold to the Rubber Goods Manufacturing Company the rubber companies which they owned, the Rubber Goods Company paying for the same partly in cash and partly in securities. The American Bicycle Company insisted on a contract whereby they could get tires with desirable trade-marks. (84.)

D. Closing of factories.—Mr. FLINT says that through the formation of the Rubber Goods Manufacturing Company 1 factory was closed; through the formation of the United States Rubber Company several factories were closed. The United States Rubber Company purchased at the outset a large, number of factories, while, in the case of the Rubber Goods Manufacturing Company, only concerns that were successful were purchased. (34.)

E. Export trade.—Mr. FLINT states that, at a rough estimate, a little less than 5 per cent of the rubber output is exported. The wages in American factories are about double what are paid in foreign factories. As the manufacture of rubber boots and shoes largely depends upon hand labor, and American manufacturers have no advantage over European manufacturers in securing raw material, it is not likely that a large export trade in these goods will be developed. (80, 81.)

F. Foreign competition.—Mr. FLINT states that there is very little competition in the rubber trade in this country from foreign manufacturers. The rubber industry is an American creation. The manufacture of rubber goods is better understood in this country than in Europe. About one-half of the production of crude rubber is consumed in the United States. People prefer the American styles, and, with the exception of mackintoshes, do not want foreign-made goods. There has been a great reduction in the price of American mackintoshes in the last 10 years and American manufacturers now have possession of the home market. (81, 82, 83.)

G. Price of raw material.—Mr. FLINT says that there has been an increase in the price of crude rubber. The price of rubber of standard grade which averaged about 70 cents a pound in the seventies averaged about 90 cents a pound in the nineties. This increase has been due to the law of supply and demand. The combination of rubber interests has prevented any great speculative advance in prices, but it has not been able to keep down the price of the raw material in general. (81.)

H. Substitutes for rubber.—Mr. FLINT says that so far no good substitute for rubber has been found. Every proposed substitute which has been presented to him for the last 23 years has been investigated, but so far none which possesses any considerable amount of elasticity has been found. Certain so-called substitutes which are being used cause a reduction in the quality of goods. (81.)

II. THE CORDAGE COMBINATIONS.

A. Description and present conditions of business—1. *Materials—Uses of products.*—Mr. GRIMWOOD, acting secretary of the Cordage Association, says that the nature of the business of a great cordage company is the manufacture of manila, sisal, New Zealand, Russian, Mauritius, and American hemp into ropes, cordage, and binding twine. The manila hemp comes from the Philippines, and apparently can not be grown elsewhere with success. Grown on other soil the fiber seems to

lack strength. Sisal comes from Yucatan. Mr. Grimwood estimates the consumption of the country at about 80,000 tons of binder twine a year and 60,000 tons of rope. All rope manufacturers can make binder twine, but a binder twine factory might lack the necessary machinery for making rope. Rope is made to-day by machinery which the witness thinks has all been invented within 25 years, but the important patents have run out. Manila rope is used for marine purposes and for drilling salt, oil, and gas wells. Sisal is not used for marine purposes to any considerable extent, but is used for hoist ropes, on railroads, in building, etc.

The rope used in the international ocean traffic is bought both in America and in Europe. The trade is well divided. The American rope is better than the foreign, because a great deal of the foreign rope is made of mixed fiber. The production of cordage from American and Russian hemp, or from other material than manila and sisal, is of comparatively little importance. During 1898, 1899, and 1900 the average importation of manila hemp to this country was about 44,000 tons. In the 3 preceding years the amount was nearly 50 per cent greater. (112–115.)

Mr. FITLER says that the chief market for cordage is for shipping. A considerable amount goes to the oil country for drilling oil and gas wells, but this varies greatly with the price of oil. (151.)

Mr. WATERBURY, former president of the National Cordage Company, says that manila cordage is mainly used for ships' rigging, and for other purposes where a flexible rope that will stand the weather is needed. Three-fourths of the whole production is probably used for shipping. The second largest use is perhaps in the drilling of oil and other wells. Sisal cordage is not suitable for ships' rigging and similar purposes, because it mildews. Sisal hemp comes exclusively from Yucatan. It does not seem to grow with a strong fiber elsewhere. Manila hemp has never been grown outside the Philippines. A few thousand bales of New Zealand hemp are brought to this country and used for cheap goods, but it is weaker than sisal. (125.)

Mr. TAYLOR, secretary and treasurer of the Standard Rope and Twine Company, says that since the war with Spain the material used in binder twine has entirely changed. Sixty per cent sisal and 40 per cent manila was formerly used. In 1900, on account of the extremely high prices, not 5 per cent of manila was used. About April, 1900, "and this is the season for manufacturing, manila hemp was selling between 13 and 14 cents per pound, which made the binder twine sell about 15 or 16 cents; and sisal was 7 or 8 cents per pound." (152.)

Mr. Taylor explains that when the consumption of manila for binder twine or rope is reduced by high prices sisal takes its place to some extent, and the demand for sisal is therefore greater and the price is higher; so the prices of the two materials move in sympathy. (154.)

Mr. Taylor says that no success has been made with substitutes for manila and sisal hemp. It is hazardous to try them. As soon as substitutes are put in to cover a temporary situation prices go down, and then there is a loss. A considerable amount of the American hemp—which is grown in Kentucky—is made into tarred goods for shrouding and things of that sort. The production of American hemp has largely increased within 2 or 3 years. It has practically displaced Russian hemp. (160, 161.)

Mr. HOLMES, treasurer of the Plymouth Cordage Company, says that his company makes pure hemp rope and pure sisal rope. It would not under any circumstances mix sisal with manila for purposes of adulteration. In binder twine it is necessary to make mixtures. The principal material for binder twine is sisal, but if twine is to be made running over 500 feet to the pound it will be necessary to put in some manila hemp. If it is to run 600 feet, a larger proportion of manila is necessary, and for 650 feet to the pound one should use pure manila hemp. (143.)

Mr. WATERBURY says that he manufactures wire rope at his cordage plant, but no other cordage manufacturer does so. Wire rope is generally made in connection with the steel industry. (138.)

2. *Materials—Commercial conditions—a. Speculation unavoidable.*—Mr. HOLMES, treasurer of the Plymouth Cordage Company, says that the cordage business is necessarily speculative, on account of the importance of the raw material and the changes in its price. The fluctuations have been greater during the last few years than before. For the last 2 years his company has paid $1\frac{1}{2}$ per cent quarterly, and an additional 10 per cent at the end of the year, or 16 per cent per annum. This, however, has been largely on account of the speculative profit made by the rise of the price of hemp. (139, 146.)

Mr. TAYLOR, secretary-treasurer of the Standard Rope and Twine Company, is absolutely sure that no one has made a dollar on the actual manufacture of cordage in the last 5 years. What money has been made has been made in a speculative way by having a stock of hemp on hand when the price advanced. The Philippine

ports were closed twice, once in 1898 and once in 1899. Each time the price of hemp went up very sharply. The Standard Company had in one case 2 vessels, each with 8,000 bales on it, and the profits were $150,000. But the loss that followed the opening of the ports was greater than the gain when they were closed. (153–155.)

Mr. GRIMWOOD also says that competition has been so severe of recent years in the cordage business that he thinks no legitimate manufacturing and merchandizing profit has on the whole been made. The money which has been made in the cordage business has for a long time been made by speculating in hemp. (120.)

b. Methods of dealing.—Mr. TAYLOR, secretary-treasurer of the Standard Rope and Twine Company, buys hemp from Manila and London houses, but exclusively through their agents in the United States. Hemp is cut in the Philippines and shipped from Manila practically all the year round, but a little less during the rainy season, in August and September. It takes 60 days to get hemp here by steamers and 4 months by sailers. When hemp is bought, 2 months are allowed the shippers to enable them to get the stock. Thus hemp bought in April would be shipped in May and June, and would arrive in August and September. It is necessary to buy 4 or 5 months ahead. The Standard Company tries to keep about 60 days' supply on hand. (151, 153.)

Mr. FITLER, of the Edward H. Fitler Company, says that his company buys its manila hemp through London houses and other large houses. The trade is principally controlled by Englishmen. He buys some from one American house (Peabody, of Boston). (147.)

Mr. WATERBURY, former president of the National Cordage Company, says that no rope manufacturer in this country has any interest in the raising of the raw material. They all buy from importers in the United States. There is a rumor that a Manila syndicate just now controls the price and the supply of manila hemp. This has been denied, though it is admitted that the Manila people are working together. The price of hemp seems to have been higher for several months than the supply would justify. There is nothing like a corner in sisal. The Mexican planters hold it themselves. They are strong enough financially to be able to hold it, however, until they get a good price. (125, 126.)

Mr. TAYLOR says that when a contract is made for hemp of a certain quality a clause is added that if the hemp is inferior the difference shall be subject to arbitration. This has worked to the injury of the manufacturers during the last 3 or 4 years. He, for instance, bought a quantity of "good current" hemp, a quality which his company needed badly. When the material came it was inferior. It was between "good current" and "current." On arbitration the company got an allowance of one-half cent a pound, while the difference between current and good current on the market was 1½ cents. Mr. Taylor thinks that the only escape from this trouble is to have the Government fix a standard of grades and inspect and grade all hemp before it leaves Manila. (159, 160.)

Mr. GRIMWOOD also says that the customary contracts for hemp are very arbitrary and one-sided so far as their legal effect is concerned. If, for instance, one contracts for 1,000 bales of "good current" hemp, one may be compelled to take a lower grade at an allowance. The size of the bale of sisal hemp varies so that if one has bought 1,000 bales and the market has gone down big bales may be delivered and the buyer may have to receive 500,000 pounds, while if the market has gone up he may get only 300,000 pounds. (121, 122.)

c. Consumption.—Mr. WATERBURY, former president of the National Cordage Company, gives a table showing the deliveries of manila and sisal hemp to each manufacturer in the United States during 1900. The aggregate was 301,000 bales of manila and 485,000 bales of sisal. Mr. Waterbury says that manila hemp weighs about 270 pounds to the bale and sisal about 360 pounds. (124.)

3. *Present conditions in the trade—a. Location of factories, and advantages of location.*—Mr. GRIMWOOD, acting secretary of the Cordage Association, says that the leading cordage plants of the country are in Boston and Plymouth, Mass., Philadelphia, and New York. There is a very fair plant in Galveston, but it is not working at present. There are others in Chicago, Peoria, St. Louis, and Xenia, Ohio. There are two plants on the Pacific coast, but they sell only west of the Rocky Mountains. Eastern manufacturers do not attempt to do business in that region. The mills in the Central West started as binder-twine mills, and that is their main product. They have the advantage of an outlet for their product close at hand, but have to pay additional freight on the raw material. Binder twine consists mainly of sisal, though a mixture of manila and sisal is used, and a larger proportion of manila was used when it was not so high as it has been recently. (114.)

Mr. WATERBURY, former president of the National Cordage Company, says that interior cordage factories get some slight advantage in freight on their manufacture by importing sisal by way of Mobile. (125.)

Mr. Holmes, treasurer of the Plymouth Cordage Company, Plymouth, Mass., says that the Western manufacturers of binder twine have some advantage over the Eastern in freight charges. They are able to get the sisal from Mexico by way of New Orleans or Mobile at a cost of 27 to 35 cents for freight to Chicago. The freight on the hemp to Boston and on the manufactured product from Boston to Chicago amounts to some 55 cents. (141.)

b. Production of principal companies.—Mr. Grimwood says that at the present time the Standard Rope and Twine Company is working about 1,800 spindles, while he thinks there are about 11,000 spindles in use or ready to start in the United States east of the Rocky Mountains, so the Standard Rope and Twine Company has nothing like a monopoly. It does not control over 20 per cent of the business. (118, 120.)

Mr. Taylor, secretary-treasurer of the Standard Rope and Twine Company, says that this company made about 20,000 tons of cordage in 1900. He does not know what the whole production of the country was, but he estimates the production of his company at 15 per cent. The National Cordage Company controlled more than 60 per cent of the total output. (158, 163.)

Mr. Fitler, president of the Edward H. Fitler Company, Philadelphia, supposes that his company produces about 18 per cent of the cordage of the United States. The Standard Rope and Twine Company and the Plymouth Cordage Company produce more; but probably no other company. (146.)

Mr. Holmes, treasurer of the Plymouth Cordage Company, thinks that his company produces between 15 and 20 per cent of the cordage made in the United States, and that it is the largest maker of rope and twine in the world. (144.)

c. Customs of manufacture.—Mr. Taylor, secretary and treasurer of the Standard Rope and Twine Company, says that ordinary cordage mills have a certain number of spindles for rope and a certain number for twine, and they can not run more than a certain number on either product. For the economical operation of the mill it has been customary to keep a small number of spindles on binder twine through the winter months, and increase them and drop rope as much as possible as the season advances. The largest amount of binder twine is manufactured about May and June. The season of demand varies with the region, being earlier in Texas than in the Dakotas. If there is a good crop the old machines may be turned on during May and June and July and rope may be left out entirely. In August and September as many machines as possible are put on rope. In December and January some spindles are put on binder twine, and the number is gradually increased. (152, 153.)

d. Labor cost.—Mr. Grimwood, acting secretary of the cordage association, says that cordage is produced chiefly by machinery, but that he would say, making a rough estimate, that the labor cost is about three-fourths of the entire cost of it. He has not, however, been actually in the business in recent years. The cost of cordage varies greatly with the fluctuations in the cost of the raw material. During the last three years manila hemp has sold as low as $3\frac{1}{2}$ cents per pound and as high as 14 cents. Sisal has sold as low as $2\frac{1}{2}$ cents and as high as 10. (114.)

Mr. Waterbury, former president of the National Cordage Company, says that wages are fully half the cost of manufacture of cordage. (128.)

Mr. Taylor, secretary and treasurer of the Standard Rope and Twine Company, says that the actual labor cost of producing cordage is about $1\frac{1}{4}$ cents per pound; including taxes, insurance, interest on money invested, and all sorts of expenses it is usual to reckon the cost of manufacture at 2 cents a pound. (154.)

e. Methods of selling.—Mr. Grimwood says that the Union Selling Company, which is the distributing bureau of the Standard Rope and Twine Company, has branch houses in several cities of the United States. More generally, however, cordage is distributed through jobbers. Jobbers receive a price one-fourth of a cent below the regular card price; that is, this allowance is made on carload lots. Cordage is sold on 60 days' credit, with $1\frac{1}{2}$ per cent discount for cash in 10 days. (122.)

Mr. Taylor, secretary-treasurer of the Standard Rope and Twine Company, says that his company does not sell through jobbers, but largely direct. A corporation called the Union Selling Company has been organized for the purpose of handling its goods. This company takes all the product of the Standard Rope and Twine Company and acts as its agent. It has some 26 or 27 agencies in various parts of the country. Mr. Taylor says that it takes more work and more expense to sell goods to the consumers or small dealers than to sell through jobbers, but he thinks it is the only way to conduct the business properly. The risk of loss is less because the failure of one customer is not so serious; and it is not in the power of any one customer to injure one's business greatly if there is a disagreement. It is Mr. Taylor's impression that when middlemen are got rid of the consumer is likely to get the benefit. "A man can afford to split what he has to pay to the jobber." But in the cordage business a jobber gets only one-fourth of a cent a pound, which is about 4 or

5 per cent on a price of 6 cents; and the expense of selling direct to consumers is greater. (159, 161.)

f. Export and import trade.—Mr. WATERBURY says that no rope to speak of is imported, because of the duty. Quite a large amount is exported, principally to South America. (125.)

Mr. FITLER, of the Edward H. Fitler Company, says that his company has for some years exported some cordage to Russia. A good deal goes out indirectly through third parties. Mr. Fitler does not care to look up this trade, as it is much cut up, and is not satisfactory in price. (148.)

Mr. HOLMES, treasurer of the Plymouth Cordage Company, says that his company exports cordage to the Argentine Republic, England, Germany, Russia, Austria, and South Africa. There is an export duty in Mexico on sisal hemp, and he understands that there is none on the manufactured product. This gives an advantage to a Mexican mill that is manufacturing binder twine. The twine comes into the United States free of duty. (140, 141.)

g. Closing of Philippine ports.—Mr. WATERBURY says that during the Spanish war the price of Manila hemp went up, and when the war was successful it went down again. When the Philippine ports were closed it ran up to about 14 cents. At the time of Mr. Waterbury's testimony, April, 1901, it was 8 cents. (134.)

Mr. TAYLOR, secretary and treasurer of the Standard Rope and Twine Company, says that the closing of the Philippine ports was a benefit to his company, because the company had a stock of hemp on hand. Yet his company wanted the ports opened. High prices restrict the market and lead to the introduction of substitutes. The proportion of profit is greater with low prices than with high. The Eastern concerns, however, such as the Plymouth Cordage Company, wanted the ports closed. (155.)

h. Binder twine—peculiar conditions.—Mr. TAYLOR says that the binder-twine business has practically gone out of the hands of the rope makers into those of the agricultural-machinery makers. The Deering company and the McCormick company are now the leading manufacturers. The Standard Rope and Twine Company made 15,000 tons 3 years ago. Last year it made 5,000 tons and this year it will probably make 4,000 tons. It is not in the market for the twine business because the machine makers sell for barely cost. Formerly jobbers used to handle the binder twine, but now it is sold so close that jobbers will hardly touch it. (152.)

Mr. FITLER protests against the manufacture of binder twine in the prisons of Minnesota, Kansas, and South Dakota. Every pound the prisons sell is so much less for the free mills to make. (150.)

B. History of combination.—1. *Pools.*—Mr. WATERBURY, former president of the National Cordage Company, says that the cordage manufacturers in the United States, before the formation of the National Cordage Company, had repeatedly formed pools. The plan was to divide the business of the country among the manufacturers, and have each one who ran beyond his percentage pay into the pool so much a pound on the excess, and each who went below his percentage draw out so much a pound on his shortage. Returns were made monthly to a supervisor, who acted as a clearing house. Mr. Waterbury understands that such pools began to be formed as early as 1860. He himself was a member of several in later years. There was never any written agreement; probably such an agreement could not have been enforced. All manufacturers were included. There were not more than 10 or 15. A pool would always be broken up after a time, either by the starting of new competition or by violation of the agreement by some of the members. Doubtless the experience of the profitableness of the business under pools contributed to the desire for a stricter consolidation. There have been no pools since the National Cordage Company was formed in 1887. (126, 137.)

Mr. HOLMES, treasurer of the Plymouth Cordage Company, says that his company was in former times connected with pools in the cordage trade, in which a certain percentage of the total business was allotted to each establishment, and those who overran paid into the pool a certain amount per pound on the excess, and those who fell short drew out a certain amount per pound on the shortage. The Plymouth Cordage Company has made more money outside of pools than in them. It thought that pools would be of advantage to it, but concluded later that they were not. It always paid in and never drew out. (138.)

2. *National Cordage Company.—a. Organization and capitalization.*—Mr. WATERBURY, former president of the National Cordage Company, says that the organization of the National Cordage Company was at first in the form of a trust. Trust certificates were issued, but the organizers were advised that the trust was of doubtful legality, and the organization was changed into a corporation. There were at first only 4 concerns. They were considered the big 4 New York manufacturers, and probably made 40 or

50 per cent of the whole product of the country. A cash capital of $1,500,000 was paid in. The capital stock issued was $5,000,000 preferred and $10,000,000 common; no bonds. The capitalization was based partly on the value of the plants themselves and their cash capital and partly on the earning power, as shown by the actual earnings for the preceding 3 or 5 years. He believes the earning power was capitalized on a 10 per cent basis; that is, at ten times the actual earnings. He thinks this was fair at the time, because some English firms had offered to buy out the plants for ten times their average profit for the previous 3 years, if the managers would continue to run the business for 5 years on salaries. This offer was refused. Mr. Waterbury thinks that on the basis of the earnings of the separate plants before the consolidation it would have been possible to pay 10 per cent on the whole capitalization of the National Cordage Company, $15,000,000.

The company ultimately brought in some 15 concerns. There were some big concerns outside which it was never able to get in. Sixty or 70 per cent of the total output must ultimately have been controlled. The tangible assets of the whole 15 companies must have exceeded the $5,000,000 of preferred stock; they probably exceeded $10,000,000.

The plants were bought on various terms. Some cash was paid and some stock, and sometimes the original owners took a mortgage on the plant for a part of the price. The common stock was finally increased to $20,000,000. Mr. Waterbury says that besides the regular dividends on the preferred stock, 12 per cent a year was paid on the $10,000,000 of common, and, after the increase to $20,000,000, 6 per cent. The principal officers never received any salaries. (126–135.)

Mr. Grimwood says that while the National Cordage Company was started with the intention of bringing nearly all the leading manufacturers together, there were one or two very strong competitors whom it did not succeed in bringing in. It did control a large proportion of the business, but Mr. Grimwood does not know what proportion. (118, 120.)

b. Relation to constituent plants.—Mr. Waterbury states that the several concerns were not wiped out, but retained their individual manufacturing interests. Each year each establishment put in a bid to the National Cordage Company for the amount of goods it would make and the price at which it would make it. Any man who did not bid or did not get a contract had to shut up his factory for the year, at his own cost; and that was not very economical. Mr. Waterbury thinks some were willing to bid below the cost of making, in order to keep their factories going. At the same time they had every inducement to reduce the cost of making. The National Cordage Company bought all the material and sold all the product, paying the individual factories for the manufacture. It was really only the buying and selling agency. Its profits were distributed on the basis of the holdings of stock. (127, 128.)

c. Failures and reorganizations.—Mr. Waterbury says that the failure of the company was due to the contraction of credit in the panic of 1893. The binder-twine business is one of seasons. It is necessary to begin in August and September to make twine to be sold the next spring. In the spring of 1893 the National Cordage Company had some 25,000 tons of binder twine on hand, worth $5,000,000 or $6,000,000. On this a large amount of money had been borrowed. The company had unlimited credit, and had always been able to borrow all it wanted. But early in the spring of 1893 the Reading Railroad failure came, and the disturbance about the silver question; and the bankers notified the company that they could not lend it so much money. Then it was determined to issue more preferred stock. Preferred stock was selling at 110, but when the new issue was proposed there was a panic in the stock and the creditors of the company closed in on it. The only way to do justice to all creditors was to have a receiver appointed. The assets did not cover the indebtedness of the company, but that was because of the panic in the hemp and binder-twine market, caused by the failure. Binder twine which was worth $6,000,000, and would have sold for that, sold for $2,500,000. Some twine that would have sold for 10 cents a pound did not realize 3 cents.

Mr. Waterbury does not think the failure was due in any degree to loading up the company with worthless plants. All the plants taken in were good plants and were making money. It is true that the formation of the National Cordage Company and its holding up prices enabled its competitors to make more money than they otherwise would. (131, 134, 135.)

Mr. Grimwood says that the National Cordage Company was organized in 1887. His impression is that it made money for a time during the season of high prices; then the price of hemp fell, and it lost. It finally tried to issue two and a half million dollars of preferred stock, and its credit was not such that the stock could be floated. This was the occasion of the company's going into the hands of a receiver. The

receivership came in 1893. A reorganization was immediately made under the name of the United States Cordage Company. The stockholders, preferred and common, were assessed for about $3,000,000. The United States Cordage Company existed a year or a little more; then it failed. There was another reorganization, and the Standard Rope and Twine Company was formed. Seven and a half million dollars first-mortgage bonds of the United States Cordage Company were changed to income bonds, not drawing interest unless it was earned. About $3,000,000 was raised by assessment, and that was put into first-mortgage 6 per cent gold bonds. The capital stock was scaled down from $20,000,000 to $12,000,000. Several of the plants were disposed of. Of the remainder, some continued to be used and some were wrecked. (117–119.)

Mr. TAYLOR, secretary-treasurer of the Standard Rope and Twine Company, presents a copy of circular No. 2 of the reorganization committee of the National Cordage Company to the creditors, and also a copy of the reorganization agreement of the United States Cordage Company. He says that the United States Cordage Company had $8,000,000 guaranteed stock, $6,000,000 preferred stock, $20,000,000 common stock, and $7,500,000 bonds. That makes $41,500,000. In the reorganization, by which the Standard Rope and Twine Company was formed, the capitalization was reduced to $22,500,000, consisting of $12,000,000 common stock, $7,500,000 5 per cent income bonds, and $3,000,000 6 per cent mortgage bonds. The guaranteed stockholders paid an assessment of $20 a share, the preferred $10 a share, and the common $5 a share, getting the amount of their assessments in new first-mortgage bonds. The old bonds were exchanged for new income bonds, interest payable only if earned. The guaranteed stockholders received 80 per cent of their holdings, the preferred 40 per cent, and the common 20 per cent, in the stock of the new company. (156, 164, 172.)

3. *Standard Rope and Twine Company.*—Mr. TAYLOR, secretary-treasurer of the Standard Rope and Twine Company, says that this company owns 9 plants, of which only 3 are running. The 3 which are running are in Massachusetts and Brooklyn. Of those that are closed, 3 have not been operated since 1893. One has been closed 2 years. The machines, buildings, and real estate of the working plants alone are worth the amount of the first-mortgage bonds of the company. The other properties, with the good will, are represented by $12,000,000 of common stock. (157.)

4. *Cordage Association.*—Mr. GRIMWOOD says that competition has been disastrously severe in the cordage business, though before the National Cordage Company was formed the manufacturers had an understanding with each other by which they made some money. After the National Cordage Company failed competition was very keen and prices were very low, and there was no feeling of fellowship among the manufacturers. So for the purpose of getting a little closer together they formed the Cordage Manufacturers' Association. This association has a secretary, but it has no constitution or by-laws and no regular time of meeting. When one of the manufacturers thinks he would like to talk with the others he gives the secretary notice, and the secretary sends out letters to the members saying that so-and-so wants a meeting and asking whether they wish to hold one. Meetings are held very irregularly—sometimes once in 4 or 6 weeks and sometimes once in 8 or 10 months. The discussions are very informal, and there is no agreement to maintain prices. The manufacturers put out price cards, and though the cards are not in the same form they are uniform in substance. The card prices are frequently cut, however, and there is no agreement not to cut them. Yet matters are steadied a little by the conference and the card price, and the irregularity of prices is diminished. Another subject of discussion at recent meetings is the evils in the current forms of contract for the selling of hemp. (118, 120–122.)

Mr. WATERBURY says that the Cordage Association is an association of a majority of the cordage manufacturers, who meet to discuss the hemp situation and prices and the abuses that occur in the trade, such as too much time and too large discounts for cash. The last meeting had to do principally with a uniform hemp contract. The manufacturers want to make a bale of sisal mean 360 pounds.

Such an association is very desirable, in that the manufacturers come together and become acquainted; and if one thinks he has a complaint against another it is frankly spoken of and explained. That fierce competition which is so ruinous to trade is prevented and there is a greater or less uniformity of prices; but there is no pool and no absolute agreement to maintain prices. "Prices vary a quarter of a cent a pound in different sections of the country and with different manufacturers." (135–137.)

Mr. TAYLOR says that the Standard Rope and Twine Company is a member of the Cordage Association and is in harmony with its policy. The Standard Company does not wish to be bound in any way by any association, but believes that the

Cordage Association as it exists is a great benefit to trade. There is an understanding among the members of the association, a kind of gentlemen's agreement, as to prices; but it is not lived up to. (159, 163, 164.)

Mr. FITLER says that the Cordage Association has no by-laws or legally binding agreements, and that the value of it is in bringing competitors together, making them acquainted with each other, and so producing a better feeling. The list prices are not uniform, and discounts are far from uniform. The association is trying to alter the contracts for the purchase of raw material, so that the responsibility, which the buyers have had to bear alone, may be divided with the foreigners who sell. (148.)

C. Causes and results of combination.—1. *Causes of combination—Competition.*—Mr. GRIMWOOD was never connected with the National Cordage Company in any official capacity and can not speak with authority as to the motives of the combination. He understands that the chief motive was the desire to eliminate competition in buying and in selling. When competition reaches such a point, as it has in the rope trade, that the capacity for producing goods is from 30 to 50 per cent greater than the consumption, it is disastrous. (117, 120, 122.)

Mr. WATERBURY, former president of the National Cordage Company, says: "Every concern that came in had been making a profit for a great many years; we were all practical cordage men, and all had made fortunes in the business practically many years before—we and our predecessors in the same concerns." (129.)

2. *Economies of combination.*—Mr. TAYLOR, secretary-treasurer of the Standard Rope and Twine Company, states that the National Cordage Company made a material saving by noting the different methods that were applied in each mill and choosing the best method in each respect. He thinks, also, that there was a saving in cross freights; this was always claimed by the person who had the freight in charge. (156.)

Mr. Taylor also mentions among the economies of combination the diminution in the staff of clerks, and the diminution of superintendents and under-superintendents to some extent. He asserts that his company reduced the pay-roll cost of 2 mills 10 per cent. It is not possible in the cordage business to effect any economies in the purchase of raw material. (162, 163.)

Mr. WATERBURY, former president of the National Cordage Company, says that when that company was formed the intention was to buy the raw material cheap, run full, manufacture cheaply, and do business on an economical basis. But a peculiar condition developed. The supply of raw material for this industry is limited; the big concerns outside were determined to supply themselves with raw material also, and the consequence was that the price of it went up. (128, 129.)

Mr. HOLMES, treasurer of the Plymouth Cordage Company, does not think that an organization could be formed powerful enough to drive the small competitor in the cordage manufacture out of the business. There is no way for a great combination to make savings except by good management, and that is just as open to a small concern. (139.)

3. *Disadvantages of combination.*—Mr. TAYLOR does not think a superintendent on a salary can be expected to give quite the same attention to a business as an owner. If a man owns a mill, that mill is his pet, and he is constantly looking after the details of it. Mr. Taylor does not consider that the Standard Rope and Twine Company fails to keep its superintendents up to the proper standard, but there is a constant danger of slackness which must be guarded against. In the practice of this company the results of one mill are compared with those of another, and if one mill gives poor results an attempt is made to find out the reason. While Mr. Taylor believes that the combination makes a gain by securing a knowledge of the best methods that have been developed in the several mills, he considers that if the same information could be got there would be more economy in having one large mill under one roof. (158.)

Mr. Taylor also says that the public is more disposed to deal with an independent concern than with a combination. This trouble can be avoided to a great extent by maintaining the identity of the companies which come into the combination. Thus the Carnegie Steel Company can keep its own name, though owned by the United States Steel Corporation. The Standard Rope and Twine Company maintains the organization and the names of the L. Waterbury Company and the Sewall-Day Cordage Company, and gets the benefit of the good will which attaches to those names. He recently had a chance to sell the "capital stock of the Sewall-Day, which represents a name only, for $100,000." (162.)

4. *Control of machinery.*—Mr. WATERBURY, former president of the National Cordage Company, says that that company had an agreement with the manufacturers of cordage machinery not to sell machinery or repairs to any other concern. This

would not affect the factories in existence, but it was thought that it would stop the establishment of new factories. In the event, a new machinery concern started up, and the advertising of the National Cordage Company did it a good deal of damage. New cordage factories started all over the country. (132.)

5. *Control of material.*—Mr. WATERBURY, former president of the National Cordage Company, says that in the days of that company there were 5 houses in Manila dealing in manila hemp. The National Cordage Company made an agreement with them by which they were bound not to sell hemp to any other concern in America, nor to sell to any house in England unless that house agreed not to sell to anyone in this country except at an advance of half a cent a pound above the price the National Cordage Company was paying. For several months the competitors of the National Cordage Company had to pay this premium of half a cent a pound for their hemp. Finally some English houses, after receiving legal advice that the contract would not hold in the English courts, broke it and sold to the American manufacturers. (131, 132.)

Mr. FITLER, of the Edward H. Fitler Company, says that the National Cordage Company tried to corner manila hemp, but did not succeed. When it first started, it apparently had control of spot fiber, and the Fitler Company was embarrassed, because certain sailers were late. After the supplies began to come in there was no serious trouble, although there was a pinch once in a while and the company was running rather close to the wind. (147.)

Mr. HOLMES, treasurer of the Plymouth Cordage Company, never experienced any trouble through any purchasing agreements made by the National Cordage Company. So far as his company was aware, it was always able to buy material as cheap as the larger concern. (139.)

Mr TAYLOR states that in the days when the National Cordage Company tried to control the hemp market there was an understanding between it and the Plymouth Company and the Fitler Company. The National Cordage Company, while Mr. Taylor was employed by it, shipped hemp to the Plymouth and the Fitler Company. (163.)

6. *Effect on price of material.*—Mr. TAYLOR, secretary and treasurer of the Standard Rope and Twine Company, says that the National Cordage Company pushed prices higher than the conditions of business would warrant. They put up the price of hemp to 15 or 16 cents per pound. They were the only buyers, and were in a position, Mr. Taylor thinks, to control prices; and his conclusion is that they did not want prices to be lower. The company, however, failed because it had not capital enough to continue the business and control it on the high level of prices which it had itself established. (155, 156.)

Mr. FITLER, of the Edward H. Fitler Company, says that when the National Cordage Company's stock of twine was thrown on the market as "banker's twine," as it was called, it made the twine business very unsatisfactory for the time. Mr. Fitler thinks the effect lasted for two seasons. He believes also that the grain crops were not large, and that the demand was smaller on this account. (147, 149.)

Mr. WATERBURY, former president of the National Cordage Company, says that the price of manila hemp early in the 90's was about 6 cents a pound. When the National Cordage Company failed the price went to the lowest point ever known, 3⅝ cents. (134.)

Mr. HOLMES, treasurer of the Plymouth Cordage Company, does not think that the failure of the National Cordage Company and the liquidation of its assets had any effect on the cordage market. (144.)

7. *Effect on prices of products.*—Mr. HOLMES, treasurer of the Plymouth Cordage Company, says that his company used to follow the prices made by the National Cordage Company pretty closely. The policy of the Plymouth Company has been to make goods of special merit, and it has always been satisfied if it knew that its competitors were not underselling it. The National Cordage Company held prices somewhat higher than they were before it was formed, but it is a question whether it would have done so if hemp had not gone up. Its efforts to get control of hemp put up the price, and the price of manufactured goods had to follow. (139.)

8. *Effect on competitors.*—Mr. FITLER, of the Edward H. Fitler Company, says that when the National Cordage Company was first organized his company found its competition very severe. The National Company seemed to want to whip its competitors into line. It was a question of nerve to stand out and fight against tremendous capital. The National Company tried to buy out the Fitler Company, but did not succeed. (147.)

Mr. WATERBURY says that the National Cordage Company was a great advantage to its competitors in keeping up prices; so much so that he would rather have been outside than inside. (132.)

9. *Possibility of monopoly.*—*a. Probability of new consolidation.*—Mr. TAYLOR feels sure there will never be another combination in the cordage business. There may

be an association, and without one he does not think there would be any money in the business, but there will be nothing like a trust. (163.)

b. Capital needed by competitors.—Mr. GRIMWOOD, acting secretary of the Cordage Association, says that a 500-spindle mill for the manufacture of cordage, which would be a pretty good sized mill, would cost some $500,000 for land, buildings, and machinery. A working capital of some $250,000 would be needed besides. (114.)

Mr. WATERBURY, former president of the National Cordage Company, says that $100,000 would build and equip a nice cordage factory, and as much again would be needed for working capital. Such a factory would not be quite as economical as a larger one, but would be a good factory. (132.)

D. Tariff—Philippine competition.—1. *Tariff.*—Mr. GRIMWOOD says that the present tariff on manila and sisal cordage is 1 cent per pound, and on hemp cordage, tarred or untarred, 2 cents per pound. Under the McKinley tariff manila and sisal bore $1\frac{1}{2}$ cents and tarred 3 cents; under the tariff of 1894, 10 per cent ad valorem. (115.)

Mr. FITLER says that the competition between different manufacturers in the United States is as severe as it can possibly be; but foreigners work cheaper and the American manufacturers want to be put on an equality with them. There is a duty of a cent a pound on rope. That is not enough to enable prices to be carried to extremes. If the duty were removed, the manufacture would not exist in this country, "unless our labor would compare with the English, German, or French." (150.)

Mr. HOLMES would feel that the removal of the duty on cordage would be injurious to his business, though he would "ask for no advantages, provided the others have to pay the same for labor and supplies." He would expect importations to come particularly from England, and perhaps later from the Philippines. (141.)

2. *Cordage manufacture in the Philippines.*—Mr. WATERBURY says that it would be a disadvantage to have free trade with the Philippine Islands, because some smart Yankee would start a cordage factory there and perhaps get some good men. There is a factory in Yokohama, owned by a Japanese, which makes good rope. A manufacturer in the Philippines would be under a disadvantage because the laborers are ignorant, and there are a great many orders for special lengths that have to be made up quickly and could not be brought a great distance; but manufacturers in the Philippines could hurt the market for ordinary sizes if they could make the goods cheaper. (136.)

Mr. FITLER does not think that the necessity of filling special orders would interfere with the running of a cordage mill at a distance from a market, as in the Philippines. If the mill were intelligently managed, the requirements of the market would be consulted and a proper stock would be carried in this country. (150.)

Mr. GRIMWOOD thinks that the establishment of a cordage factory at Manila would be a serious matter for the business in America. "I think the effect would be, I will not say disastrous, but bad, unquestionably, unless the rate of wages, and so on, should go up to a point equal to the wages in the United States." The cost of transporting the finished product would be about the same as the cost of transporting the raw material, perhaps a little more. There is no loss of weight in the manufacture which would seriously affect the transportation. (115–117.)

Mr. WATERBURY says that the waste in manila hemp is abont 3 per cent, and in sisal, which has been running dirtier than usual the last few years, about 7 per cent. (125.)

Mr. TAYLOR says that the shrinkage of manila hemp in manufacture is about 4 per cent, and of sisal about 8 per cent. (154.)

E. Condition of labor in the cordage industry.—1. *Relations of employer and employee.*—Mr. HOLMES, treasurer of the Plymouth Cordage Company, says that the relations of his company and its employees have always been friendly and satisfactory. At the seventy-fifth anniversary of the company in 1899 it was found that between 11 and 12 per cent of those who were with the company 40 years ago, in 1859, were with it still. There are no trade unions in the factory and the company has never had occasion to express itself on the subject. There have been no labor disputes since 1863 or 1864 until the week before Mr. Holmes testified. At that time there was a strike, which lasted about 24 hours, and which had, in Mr. Holmes's judgment, no reason whatever. He thinks it resulted from a misunderstanding and from hot-headed talk. Every man went back without any change in the conditions. (140, 143.)

Mr. Holmes adds that his company has established a free library for its employees and intends to build bath houses and to provide a building where lunches will be served to them at low cost. It has offered prizes for the best gardens, and prizes for those who keep their yards in the best condition. It has prepared baseball grounds and grounds for other games, and offered prizes for sports. (144.)

Mr. TAYLOR, secretary-treasurer of the Standard Rope and Twine Company, says that the relations of his company with its employees have always been entirely harmonious. The company has the same men who were in the plants 10 or 15 years ago. The skilled labor is generally organized, and the company has no objection to organized labor and has never had any labor trouble. The organization of capital in the cordage industry has had no effect on wages. (158, 162.)

2. *Wages and hours.*—Mr. HOLMES, treasurer of the Plymouth Cordage Company, says that the wages paid by his company have not changed since 1880, and he thinks not since 1878. The hours of labor are shorter now, so that wages per hour are higher. For common labor, the cheapest grade of labor of men, $1.35 a day is paid, and the week of 58 hours is called 6 days. The highest wages, aside from salaried men, are $2.50 and $2.75, and in a few cases $3. The laboring people in this factory are better off to-day than ever before. The 58-hour week is prescribed by the Massachusetts law for women and minors, and the company puts all on the same basis. It runs from half past 6 in the morning to 6 in the evening, with an hour off at noon, and on Saturday it stops at 12 o'clock. (140, 143, 144, 146.)

Mr. WATERBURY says that the girls that spin cordage get about $6 a week, and ordinary laborers get $1.50 a day. The spinning of yarn is piecework; nearly everything else in the manufacture is day work. (128.)

Mr. FITLER, of the Edward H. Fitler Company, says that his company, situated at Philadelphia, pays ordinary male laborers $1.50 per day, and its wages range from this figure up to $18 per week. The factory works 10 hours per day. (148.)

3. *Steadiness of employment.*—Mr. HOLMES says that during the hard times his factory ran steadily, and for the last 4 or 5 years, excepting the very last year, it has run night and day. (144.)

4. *Employment of women and boys.*—Mr. FITLER says that his company employs about 150 women out of 450 employees in all. There are a certain number of positions for boys of 15 and 16 years of age, and when these boys grow to be men there are not enough men's positions for them. This fact produces some trouble. "If they would only leave and make a vacancy, that would be one thing; but maybe you will strike a youngster who has a nasty disposition, and he will want to make trouble. Then 10 or 15 will drop out, and we get rid of that element." (148.)

Mr. HOLMES says that out of 1,000 employees of his company about 160 are women and girls. (140.)

III. PHOTOGRAPHIC SUPPLIES.

A. Description of business.—Mr. HUBBELL says that the principal business of the General Aristo Company is the manufacture of sensitized photographic paper. It also sells toning and developing chemicals. The raw paper is purchased entirely abroad and is coated in this country. (188.)

Mr. CARBUTT explains the difference between developing-out and printing-out photographic papers. The printing-out papers must be exposed by daylight until the image is bold and vigorous, then washed to remove free silver, toned with a gold solution, and afterwards fixed. The developing-out paper is only exposed for a few seconds in a dark room to either gas light or electric light, and then the image is brought out by a developer. With the help of a boy to expose the paper, Mr. Carbutt has made 25 prints in 10 minutes by using developing-out paper; that is, has exposed them, developed them, and put them into the fixing bath. Sometimes it takes 25 minutes to print one copy in daylight by the printing-out process. The developing-out paper is practically new, having come in within the last 3 years. (177, 181.)

B. History of combination.—1. *Organization and capitalization.*—Mr. ABBOTT, vice-president of the General Aristo Company, says that this company has existed since 1899. Its outstanding stock is $2,400,000 common and $2,400,000 7 per cent cumulative preferred. It has so far paid the required dividend on the preferred stock and 15 per cent a year on the common. The company has not since it was organized bought any plants which were not taken at the organization. (200.)

Mr. HUBBELL, counsel for the General Aristo Company, says that the capital stock of each of the constituent companies was purchased outright by the General Aristo Company. The intention was to discontinue these companies as separate and distinct concerns as rapidly as possible. The Photo-Materials Company and the Nepera Chemical Company have been merged into the General Aristo Company by legal proceedings. The New Jersey Aristotype Company has been discontinued and the corporation legally wound up. The plant of the Kirkland's Lithium Paper Company has been moved to New York. The American Aristotype Company still continues as a separate organization, because of certain outstanding contracts. As soon as

possible it will be merged in the General Aristo Company. As soon as that is accomplished, the General Aristo Company will be a simple corporation and not a combination. (188, 189, 194.)

The Eastman Kodak Company owns a part, but not a majority, of the stock of the General Aristo Company. It acts as trade agent for the General Aristo Company and markets all the Aristo Company's goods, the latter company paying a commission on sales. The Eastman Company makes the contracts and the terms of sale. (189, 190, 195.)

The capitalization of the General Aristo Company is very much larger than the aggregate capitalization of the constituent companies. The reason for this is that in the case of some of the companies the capital stock of the company did not represent the price which the General Aristo Company had to pay. This was true of all the companies taken over except two. The capitalization of the General Aristo Company is based on the value of the businesses of the constituent companies, rather than upon the value of the tangible property. The value of a going plant which manufactures photographic films or photographic paper consists very largely in the value of its good will, of its secret processes of trade and of manufacture, and in some cases of ts patents. (188, 190.)

2. *Constituent companies.—a. Generally.*—Mr. Hubbell says that the various companies which were taken over on the formation of the General Aristo Company were: The American Aristotype Company, of Jamestown, N. Y.; The Nepera Chemical Company, of Nepera Park, N. Y.; The New Jersey Aristotype Company, of Bloomfield, N. J.; Kirkland's Lithium Paper Company, of Denver, Colo., and the Photo-Materials Company, of Rochester, N. Y. The company also brought the photographic paper business of the Eastman Kodak Company, of Rochester, N. Y. (188, 191, 192.)

b. American Aristotype Company.—Mr. Hubbell, counsel for the American Aristotype Company, says that that company was incorporated in 1889 with a capital stock of \$150,000, \$25,000 preferred stock and \$125,000 common stock. Only \$8,500 of the preferred stock has been issued. The capital stock of the company is now owned by the General Aristo Company. (188, 189.)

c. Nepera Chemical Company.—Mr. Hubbell says that the Nepera Chemical Company, before it was merged in the General Aristo Company, had a capital of \$25,000, while the plant and business and patents were worth 20 or 30 times that amount. (189.)

d. Photo-Materials Company.—Mr. Hubbell says that the Photo-Materials Company was capitalized at \$150,000. Bonds to the amount of some \$90,000 were issued. The company made a perfect failure. The bonds were bought by the Eastman Kodak Company at 50 cents on the dollar, and the property was bought by the same company after the mortgage which had been given on it to cover the bonds had been foreclosed. The company was taken over by the General Aristo Company, a small price being paid for it, because it was manufacturing a competing paper. (189.)

C. Methods of consolidated company, and results.—1. *Control of material.*—Mr. Carbutt, a manufacturer of photographic plates, films, and papers, says that Mr. Eastman, of the Eastman Company, went abroad in 1898 and secured, as he believed, the control of paper for photographic purposes for import to the United States. It is necessary to use foreign paper in order to get the best results. There are two firms in Massachusetts which make a very satisfactory rough paper for photographic purposes, but have not been able to produce a fine, smooth paper. It is said that the water where the foreign paper is made in Germany is peculiarly suitable for the purpose. There are two importers of the foreign paper in New York City who will not sell to anyone outside the trust. Mr. Carbutt has repeatedly tried to buy and has been refused. There are two other importers in New York from whom Mr. Carbutt gets his paper and who do not sell to the trust; but they do not wish it to be known that they furnish the papers to others. Mr. Carbutt also says that he has friends in Germany through whom he can obtain it. The price, however, has been very much increased. On September 11, 1898, he was able to buy imported paper, the same that is used by the trust, at 7 cents a meter. On March 12, 1899, he was charged 8 cents. On December 30, 1899, the price had been raised to 14½ cents a meter, where it still stands. This is an increase of over 100 per cent. Mr. Carbutt believes these prices to be due to the action of the Eastman combination. He has no proof of this other than hearsay. He has no proof that the combination does not have to pay the same price, through he believes it does not. (173–182.)

Mr. Dailey, a manufacturer of photographic paper, says that the General Aristo Company got control of the raw material of his business, the paper which is imported from Germany, about the first of the year 1899. Some of the American manufacturers had contracts with the manufacturers of the paper which protected them for a certain length of time. Those that were thus protected the General Aristo Company

bought, so far as possible. It did not think it worth while to buy others, because it did not think they could get material to work with. The standard papers have been made for perhaps 40 years by two companies, one in Germany and one in France. Mr. Dailey understands that these companies made a combination under the leadership of the General Aristo Company. The price was advanced from 33 cents a pound to 52 cents. Mr. Dailey has understood from good authority that the General Aristo Company does not pay this price. Mr. Dailey's company was almost completely shut off from a supply of paper for a time, though able to get some of certain kinds. Other manufacturers in Europe commenced making it, however, and Mr. Dailey has a contract with one of them at present at a price considerably lower than the combination price, though the trust is able to undersell him considerably. (183, 185.)

Mr. ABBOTT, vice-president of the General Aristo Company, explains the control which his company has over certain kinds of paper. The company does not, he says, control all the grades of photographic paper made by the foreign paper mills. The control of certain kinds comes about in this way: A factory undertakes to make a distinctive kind of photographic paper. It is necessary to have suitable raw stock. The company will write the foreign manufacturers, stating in a general way what is wanted. It may be months before the exact quality of paper is arrived at, and the obtaining of it involves a great deal of experiment. The sensitizing factory spends a great deal of money in prosecuting these experiments. When it has been to the expense of practically educating the foreign mill to produce that particular paper, it feels entitled to the exclusive use of it. Otherwise a rival could buy the paper and save the whole cost of the pioneering experiments. The American Aristotype Company had arrangements with the foreign paper mills for the exclusive use of certain kinds of paper before the General Aristo Company was formed, and these contracts were practically continued. The American Aristotype Company was the pioneer, not only in this country but in the world, in the manufacture of these particular kinds of paper. The collodion process was a hand process, in which the photographer did his own coating, until the American Aristotype Company made it an industry. It had never been manufactured in a factory and put on the market ready for use. Mr. Abbott supposes that the collodion process has now become more or less a commercial one in Europe, and that European manufacturers can buy the same papers which his company uses. His company has never asked the paper makers not to supply European customers.

There are other manufacturers of raw stock abroad besides those that the Aristo Company deals with. They make a very similar stock, and Mr. Abbott supposes it can be procured in this country. One of these raw-stock factories is in practically the same locality as one of those which supply the Aristo Company, and is able to use practically the same water—the glacier water of the Alps. (196, 197.)

Mr. HUBBELL says that the General Aristo Company has contracts with foreign producers of paper by which it is enabled to control the entire exportation to this country of the paper manufactured by those producers. These companies had been selling paper in this country prior to the making of the contracts, and they agreed that if the General Aristo Company would take only their products they would sell only to that company in this country. The General Aristo Company could not prevent the purchase by business competitors in this country, through foreign purchasers, of the paper produced by these foreign companies. (191.)

2. *Penalties for purchase of competitors' product.*—Mr. CARBUTT states that he was the pioneer manufacturer of gelatine dry plates in the United States. His concern was established in 1878. He has more recently taken up the manufacture of other photographic supplies, including papers. The General Aristo Company was formed in 1898, through the agency of Mr. Eastman of the Eastman Company, and merged a considerable number of makers of photographic papers. The General Aristo Company makes one particular paper, which it is necessary for dealers in photographic supplies to have, because for particular purposes it has not been equaled. With the help of this advantage the General Aristo Company undertakes to prevent dealers from handling any papers other than those of its manufacture. It offers a rebate of 12 per cent on the paper bills of customers who sign a statement that they have not handled any paper made by other parties, and it refuses to supply those who refuse to sign the statement. The statement is presented once in 4 months, and sets forth that the signer has not during the period covered by it "bought, sold, carried in stock or disposed of, either directly or indirectly, any collodion printing-out, or gelatine printing-out, bromide, or developing-out papers, other than those manufactured by the General Aristo Company's factories," and that all such papers have been sold strictly at the list prices, without any arrangement for any rebate, directly or indirectly. Mr. Carbutt presents letters from several dealers indicating that they would

be glad to buy his papers if the trust agreement did not make it impossible. He also presents letters to show that his paper is of the highest quality. He believes that the contracts demanded by the combination are in violation of the United States anti-trust law. It has not occurred to him to complain to the United States district attorney, but he will do so. He has thought of bringing suit, but the Eastman Company is a very rich concern, and it would be too long and expensive a fight. (174–182.)

Mr. DAILEY, a manufacturer of photographic paper, says that when the General Aristo Company was formed its method was to sell its papers at a discount of 15 per cent from its list and then pay, at intervals, an additional rebate of 12 per cent to those who had not bought paper of any other make. Many dealers who were handling large amounts of outside paper thought that it would pay them better to sacrifice the 12 per cent rebate and continue to buy of the independent manufacturers. The prices of the independent manufacturers were from 10 to 25 per cent below that of the Aristo Company, even when the 12 per cent rebate had been deducted. When the Aristo Company found that dealers were following this course, they took a further step. They determined to refuse their goods to all dealers who handled independent paper. Not only that, but the Eastman Kodak Company, which controls the Aristo Company, refused to sell such dealers its cameras and films. A dealer could very well get along without aristo paper, but no dealer in photographic supplies could do business without the kodak cameras and films. No open announcement was made of the fact that goods would not be furnished to independent dealers. A representative of the Eastman Kodak Company went personally to such dealers and said to them that while his company was not making any threats, the dealers would find it very inconvenient not to be able to get the kodak cameras and films. These goods were protected by patents. It would be well to consider these things. If the dealers would give up handling the outside paper, the General Aristo Company would relieve them of what they had and pay them what it had cost them. In consequence of this policy, says Mr. Dailey, his goods were entirely off the market in about 10 days. A few dealers undertook to resist. Mr. Dailey gives the names and addresses of one in New York and one in Newark. Both were compelled to yield after a limited time. The Newark dealer controlled two companies, and undertook to have one establishment handle independent paper, while the other restricted itself to aristo. The Aristo people would not allow that.

There was a company in Newark called the American Self-Toning Paper Company, which was doing a very nice business, and which was not directly attacked by the Aristo Company until several months after the attack on Mr. Dailey. Mr. Dailey's goods were boycotted about January 1, 1899, and those of the Self-Toning Company about September 1, 1899; but when the attack did come, the Aristo Company did not take the stock of the Self-Toning Company's paper off the hands of dealers, as it had done earlier with other paper. Consequently such dealers as had not paid for their paper shipped it back. It was perishable, and great quantities came back on the company's hands and were a dead loss. The accounts were too small to sue, and the result was that the company was thrown into the hands of a receiver.

The only way of selling goods which Mr. Dailey finds is to deal directly with the consumers. He ships to customers in Philadelphia, paying the express, and still underselling the trust. He has an office in New York, and has done considerable business there. He has tried to open offices in various cities, but has found the expense too great. The trust follows him up even in his dealings with consumers. If he furnishes paper at $1 a gross to a consumer who has been paying the trust $1.25, the trust will meet the price with another brand, and will place its paper in the hands of dealers, where consumers can get it more conveniently than they can get Mr. Dailey's. Mr. Dailey's only resource is again to underbid the trust; and if he makes too low a price to be met through dealers, the Aristo Company will sell directly to the consumer and meet his prices. The Aristo Company also tries to get consumers under contract for a number of months, and has done so in many cases.

Mr. Dailey believes that the methods of the Aristo Company are unlawful, and that if he went into a suit he might win; but he does not feel able to attempt this because of the expense. He has been gathering evidence, and has thought when the time is ripe he will complain to the United States District Attorney. (183–187.)

Mr. ABBOTT, vice-president of the General Aristo Company, says that this company sells only to the Eastman Kodak Company. Mr. Abbott understands that the Eastman Company offers its goods to all dealers at a trade discount of 15 per cent, and gives an additional discount of 12 per cent to dealers who handle its goods exclusively. He doubts whether the Eastman Kodak Company would sell anything—a camera, for example—to a dealer unless he confined himself to their line. There is nothing, except patented articles, which it is necessary for a dealer to buy from the

Eastman Kodak Company. The company simply gives a dealer the option of handling the Eastman Company's line on their terms or handling other lines. If there is any compulsion put upon the dealer it is not put upon him by the Eastman Company. The compulsion comes from the consumers. Whatever the consumer demands the dealer must handle. If the demand for the Eastman goods is greater in a locality than that for any outside line, the dealer is forced to handle the Eastman goods. The Eastman Company may occasionally give an exclusive agency to 1 dealer in a small place, but such cases are very few. Generally it sells to anybody. There are very few dealers in photographic goods exclusively. Photographic goods are handled by drug stores, department stores, booksellers, and people in various lines of trade. There is no such thing as controlling the dealers in photographic materials. If 1 drug store in a town is selling the Eastman goods there are 7 or 8 other drug stores which are free to sell other makes. If, as Mr. Carbutt claims, he has a better paper than the Aristo Company's, which he sells at a better price to the trade, and is not handicapped in any way in securing his raw materials, the drug store that he sells to should be able to undersell the drug store that the Eastman Company sells to and take away its trade. If the consumer wants some Eastman goods he is free to buy them where they are kept, and then go to the other store and buy the better and cheaper paper of the other make.

Mr. Abbott confirms the account of the dealer in Newark who had 2 establishments, 1 upstairs and 1 down, in 1 of which he handled Eastman goods exclusively and claimed the full discount, while in the other he handled outside goods. Mr. Abbott says, "We have stopped 2 or 3 performances of that kind." (197–204.)

Mr. Abbott also says that the agents which the General Aristo Company has on the road are not sent out to sell goods, but to educate photographers in the proper use of the company's goods. The company has expended a great deal of money in keeping these demonstrators in the field, in educating photographers in the manipulation of its goods, and in advertising. This is one reason for the Eastman Kodak Company's terms to the agent or dealer forbidding its agents to handle the goods of other manufacturers. It would hardly be fair to appoint a dealer as the company's agent, refer to him a vast amount of trade which the company's energy has created, and then allow him to handle imitations or parallels of its goods. (201.)

Mr. HUBBELL says that the Eastman Company agrees by contract with dealers to give a special discount on its goods, provided they handle no others. This discount is uniform to everybody. Similar contracts are made by the General Aristo Company, and were made by some of the constituent companies before the General Aristo Company was formed. When that company was organized, a circular letter was sent out to all the dealers in the United States asking their opinion of that system. Almost all said that it was the best system, and it was because of the nature of their replies that the system was continued. (191, 192, 193.)

Mr. Hubbell holds that the contracts by which a special discount is given to dealers upon their agreeing to handle only the goods of the company giving the discount is not a contract in restraint of trade, as restraint of trade is defined in our statutes. He cites decisions by the courts, which, he says, hold that such contracts are proper and legal. The Eastman Kodak Company does not, by means of such contracts, force its paper upon the trade, because of the fact that the company manufactures other supplies which no other company manufactures and which dealers desire to buy. (192, 193, 194, 195.)

3. *Misrepresentation of competitors' goods.*—Mr. CARBUTT, a manufacturer of photographic paper, presents letters from customers to show that the agents of the Eastman combination tell falsehoods about the material and the quality of his paper and about the prices at which it is sold. He states that when he called the attention of the General Aristo Company to these practices, that company replied that such action was not authorized, and probably resulted from overzealousness on the part of their demonstrators to secure business. (175, 176.)

4. *Economies of combination.*—Mr. ABBOTT, vice-president of the General Aristo Company, says that his company has made considerable economies, which have reduced the cost of production of several papers, or will reduce it. It has taken up the manufacture of some of the raw materials. The cost of marketing has been considerably reduced through the increase of the business and through the concentration of the selling in the hands of one selling agent. Mr. Abbott thinks the number of traveling men on the road is much greater than before the organization of the General Aristo Company. The situation would not permit any relaxation of efforts to sell; competition is too strong. The General Aristo Company has no monopoly, though Mr. Abbott thinks it has considerably more than half of the photographic paper trade. (200, 201.)

5. *Effect of combination on prices.*—Mr. CARBUTT, a manufacturer of photographic paper, states that his prices are 25 per cent below those of the Eastman combination,

although the cost of the imported paper, which is his raw material, has been increased more than 100 per cent within three years, as a result, he believes, of a nearly complete control of the supply by the Eastman combination. Mr. Carbutt presents letters from customers to show that his paper is of the very highest quality and the highest suitability for the purpose it is made for. (175, 178.)

Mr. DAILEY, a manufacturer of photographic paper, says that when the General Aristo Company, controlled by the Eastman Company, got control of the raw material for the manufacture of photographic paper, it raised the price of cabinet size paper, which had sold at wholesale at 55 cents and at retail at 75 cents, to $1.35 retail and about $1.01 wholesale. Through its control of the raw paper for sensitizing it was able to raise the price of this material to other manufacturers from 33 cents a pound to 52 cents. This increased the cost of manufacture to Mr. Dailey's company possibly 20 or 25 per cent. Mr. Dailey understands from good authority that the General Aristo Company does not pay this high price for material. Even if it did, the increase of cost would not be over 20 or 25 per cent, while the Aristo company has advanced prices of manufactured paper almost 100 per cent. (185, 186.)

Mr. ABBOTT, vice-president of the General Aristo Company, says that the company continues to make the various kinds of paper that were made by its constituent companies before the consolidation. There has been no raising of prices in any instance. The price of collodion paper is the same that it was, and practically the same that it has been for 12 years. On platinum paper there has been a reduction of 20 per cent. and the average prices of gelatine paper are lower than they were before the organization of the General Aristo Company. (200, 203.)

6. *Growth of competition.*—Mr. CARBUTT, an independent manufacturer of photographic supplies, says that this business has developed very rapidly, and faster since the trust was formed than before, "because it started several of what are called anti-trust makers of paper." (180.)

Mr. ABBOTT, vice-president of the General Aristo Company, gives a list of some 12 manufacturers who sensitize paper in this country, in competition with his company. Probably a third of them, he says, have started within the last year, or since the organization of the General Aristo Company. There are an infinite number of concerns making cameras and photographic supplies and materials of all kinds. (199, 200.)

Mr. HUBBELL says that there are more concerns engaged in the business of manufacturing photographic paper to-day than there were when the General Aristo Company was organized, and that these concerns are competitors of that company. The Eastman Kodak Company manufactures a flexible film which is used instead of a plate. This film was invented by Mr. Eastman, and in the manufacture of those films the company has no rival. In respect to other lines of goods manufactured by the company its success is due to the superior quality of its goods. (192, 193.)

D. Condition of labor in the industry.—Mr. CARBUTT says that wages in his establishment, at Philadelphia, run from $6 a week up for girls, and from $12 to $30 for the men. The men work 10 hours and the girls 9. (179.)

Mr. ABBOTT, vice-president of the General Aristo Company, says that there has been no general increase of the wages of that company since it was formed, but at the Rochester factory the hours have been reduced from 10 to 9, with no reduction of pay. The Eastman Kodak Company has put in dining rooms for its men and its women, and serves a lunch to the women for 10 cents, which, Mr. Abbott says, is much below cost. The company has also provided a library for the working people, and allows them to take the books home at night. (203.)

The women employed in the manufacture of photographic paper are used mostly in sorting. Their hands are more delicate, and they are much better at sorting than men. No women are employed at anything that men have done in Mr. Abbott's factory. (204.)

E. Patents and trade-marks.—1. *Patents vs. secret processes.*—Mr. ABBOTT, vice-president of the General Aristo Company, says: "There are so many things about a chemical formula that secrecy is relied upon by paper and chemical manufacturers more than the Patent Office." Control can be kept for a longer time by keeping processes secret than by patenting them. It is necessary to rely to some extent upon workmen to keep trade secrets, but generally no one man, except the managers and their understudies, knows much about any department except his own. (203.)

2. *Infringement of trade-marks.*—Mr. ABBOTT states that his company has in several cases had trouble with infringers of its trade-mark; in one case with Mr. Carbutt. Mr. Carbutt put out a paper called Vivax, which the General Aristo Company regarded as an infringement of its trade-mark Velox. Suit was brought but never came to trial. Mr. Abbott thinks the trade-mark in question was withdrawn. (205.)

IV. THE PLATE GLASS COMBINATION.

A. History of industry and of combination.—1. *Plate glass industry.*—Mr. PITCAIRN, president of the Pittsburg Plate Glass Company, says that the first substantial success in the manufacture of plate glass in the United States was obtained by Mr. De Pauw, at New Albany, Ind. His factory produced its first polished plate glass in 1873. It was afterwards dismantled on account of obsolete machinery and unfavorable location. The next successful factory was established at Crystal City, Mo. The company was organized in 1872 and reorganized in 1876. The factory has been uninterruptedly successful. In 1883 the factory at Creighton, Pa., was founded. It was here that the use of natural gas in the manufacture of plate glass was first introduced. (226.)

Mr. Pitcairn states that the growth of the plate glass industry has been spasmodic, while the growth of the demand for plate glass has been slow and steady. The result has been great fluctuations of price. For several years large profits were made. This led to the building of 7 new factories, and this again to an excessive production and a depression in price. The industry became unprofitable. Some factories were running at a loss and others at no profit. One was sold by the sheriff and several others were on the verge of bankruptcy. This condition lasted several years, and led to efforts to consolidate the largest factories. (227, 241.)

2. *Pittsburg Plate Glass Company.*—*a. History.*—Mr. PITCAIRN says that before the present consolidation was formed the Pittsburg Plate Glass Company existed as a Pennsylvania corporation, owning four factories. This corporation increased its capital stock and bought outright the properties of its principal competitors, issuing its own stock to the individual stockholders of the constituent companies. The properties were bought at their actual cash values. Nothing was paid for good will. Some of the concerns desired an inflated capitalization, and the refusal of Mr. Pitcairn and others to consent delayed the consolidation for 2 or 3 years. No weak or insolvent companies were taken in. There were 3 companies which were on the verge of bankruptcy. Their liabilities were such that, on the basis of value used in the purchase of the other companies, their stockholders would have received little or nothing if they had been taken into the consolidation. If the consolidation had been deferred another year or so, some of the companies would probably have become insolvent. The consolidated company reduced the production of its factories, and the independent companies were enabled to run full. By the policy of the consolidated company the independent companies were saved, and they are now competing.

For several years before the consolidation in 1895, says Mr. Pitcairn, there was absolutely no profit in the plate glass business. The average earnings of the Pittsburg Plate Glass Company since the consolidation have been about 9¼ per cent a year. No dividends were paid until 1899. In that year 5 per cent was paid, and the dividends in 1900 have been at the rate of 6 per cent. The profits made in 1899 were about 18 per cent, and those for 1900 will also be large, possibly as large as those for 1899. The profits are not excessive in view of the vicissitudes of the business, the changes that are necessary in the way of new machinery and new methods, and the probability that in the course of a year or two there will be a renewal of the conditions of overproduction. The present market price of the shares is about 161. There are about 600 stockholders. One of the factories taken in, the Duquesne factory, has been sold to the Carnegie Steel Company, whose property it adjoins. The company has a sufficient capacity without it. (227, 232, 233, 235, 237, 241.)

b. Control of trade.—Mr. ELLIOTT, of the Philadelphia Paint Club, says that the production of plate glass in this country is estimated at about 20,000,000 feet per year, and that the Pittsburg Glass Company is supposed to control about 80 per cent of this amount. (207, 213.)

Mr. MAYER, of the glass department of John Lucas & Co., states that the Pittsburg Plate Glass Company makes probably 80 per cent of the plate glass made in the United States, and the other 20 per cent is made by three outside corporations. Two of them have been running perhaps 10 years or more, and the third is just beginning. Mr. Mayer's firm has not bought any glass of any of these concerns; their product has all been engaged, principally by Western jobbers or men financially interested in their plants. Mr. Mayer does not believe that these companies are really independent competitors of the Pittsburg Plate Glass Company. They are supposed to be working under agreements with it, securing uniform prices. (222.)

Mr. PITCAIRN says that his company controls only what it produces, which is about 72½ per cent of the plate glass produced in the country. It is not able arbitrarily to make prices for American plate glass. It has been possible, in consequence of the

destruction by fire of the Penn Plate Glass Works at Irwin, Pa., to advance prices; and supply and demand are more closely adjusted at present than they have been for several years. The company produces such a large percentage of the glass that under these favorable conditions it fixes its selling prices, and the others follow it. (239.)

Mr. Pitcairn gives a table of the plate glass factories in the United States, showing 10 works owned by the Pittsburg Plate Glass Company, with an annual capacity of 26,000,000 feet, and 3 other factories with an aggregate annual capacity of 5,900,000 feet. The sales for 1900, with the month of December estimated, are given as 13,637,000 feet for the Pittsburg Plate Glass Company, or a little over half its capacity, and 5,159,000 feet for the other companies, or nearly their full capacity. The total sales of domestic and foreign glass in the country during 1900, according to Mr. Pitcairn, were about 21,000,000 feet. In 1876 they were only 6,300,000 feet, of which only 600,000 feet were produced in the country. (227.)

3. *European production and syndicates.*—Mr. PITCAIRN gives a table of the plate glass factories in Europe, with their output for 1900, and in most cases their producing capacity. The total capacity, as shown, is about 69,000,000 square feet a year, and the total product for 1900 about 40,000,000. Nearly one-third of the product comes from Belgium, about one-fifth from France, the same from England, and one-sixth from Germany. The product in Belgium has increased from 1,080,620 square meters in 1895 to 1,619,590 square meters in 1899; and while there are no official figures for other countries, Mr. Pitcairn believes the increase has been similar wherever the manufacture is carried on in Europe.

Mr. Pitcairn declares that "experience has demonstrated that the consumption of plate glass is not elastic and can not be forced so as to absorb an arbitrary increase of production, the consumption depending upon general prosperity, because plate glass is considered a luxury. In the opinion of manufacturers of plate glass in Europe the selling price is not regulated by the general law of supply and demand, the increase of production being spasmodic, while the consumption, although steadily growing, remains limited." In accordance with these views there have always been cooperation or syndicate arrangements among the European manufacturers for regulating prices, and, especially in later years, for regulating production also. In Belgium the sales for all the factories are apportioned, and are all made through one selling office. In Germany the manufacturers are united in one syndicate, regulating production and prices. One large company in France has thorough control of the market, through close connection with other manufacturers in the country, and the condition in England is the same. Moreover, these several national combinations have combined in one international syndicate to regulate and divide the world's markets. They limit production, as may be supposed from the fact that the aggregate production of Belgium, France, and Germany is less than half the capacity of the factories. They assign certain markets to certain manufacturers. They prevent buyers from disturbing the rules of the syndicate, by a "premium of fidelity" and also by a blacklist system. (228, 229.)

B. Methods of the consolidated company.—1. *Prohibition of purchases abroad.*—Mr. MAYER, of the glass department of John Lucas & Co., states that though cut sizes of plate glass could be imported from Europe from 10 to 20 per cent below the prices in this country, and stock sheets some 50 per cent cheaper, the combination is able to prohibit dealers from taking advantage of these market conditions. Some sizes of plate glass have to be obtained from the Pittsburg Plate Glass Company, and the company offers a rebate of 5 per cent, payable at the end of the year, to those who have through the year maintained its terms and prices. If a dealer should sell at prices lower than it has fixed, it could cut off his source of supply. But, further than that, there exists an intimation or threat of the plate glass trust that if any considerable amount were imported they would probably reduce the selling price here and leave the importers with a loss. On account of the abnormally high duties it is within the power of the trust, by a sharp reduction of prices, to cause a very serious loss to anybody who should have ventured to import a large amount of glass. Mr. Mayer's firm did import some glass before the edict went out that importation must cease, but has apparently imported none since. Mr. Mayer is not aware that his firm has given offense to the trust by importing. (218, 219, 224, 225.)

Mr. ELLIOTT, of the John Lucas Company, exhibits letters sent by the Pittsburg Plate Glass Company to his firm regarding the importation of foreign glass. On August 27, 1900, the plate glass company wrote: "If you think it is to your interest to place an order for glass under 10 square feet[1] abroad, you are at liberty to do

[1] See Mr. Pitcairn's statement as to the unprofitableness of these sizes under *Effect of combination on prices*, p. ——.

so, the manufacturers stipulating that a copy of the order be sent to this company." On October 27, 1900, the following letter was sent out from the Pittsburg Plate Glass Company: "We have just been advised by our general office that any permission that has been given to the jobbers whereby they were allowed to import plate glass must be at once withdrawn, and we hereby beg to notify you to this effect.

"We will ask you to send to this office at once a memorandum of any foreign glass that you may have ordered which you have not received." On November 30, 1900, the following letter was sent: "Gentlemen: At a meeting of the manufacturers and 'A' jobbers of plate glass in Pittsburg, on the 14th instant, it was resolved that no 'A' or 'B' buyers would be permitted to import plate glass or to purchase plate glass that had been imported into this country. The manufacturers will expect all the 'A' and 'B' buyers to conform strictly to this resolution."

Mr. Elliott intimates that the paint manufacturers and plate glass dealers regard these letters as not only tyrannical, but insolent. He explains that the "A" buyers are the large dealers and buy what are called "stock sheets" and cut them up themselves. They are, of course, given a lower price than the "B" dealers, who buy what are called "cut sizes." (208, 209.)

Mr. Elliott adds that the consideration which the Pittsburg Plate Glass Company gives to "B" buyers to hold them in line is a rebate of 5 per cent, payable at the end of the year, if they have complied with its terms. He does not think that written contracts are required or that his own firm has any agreement with the Pittsburg Plate Glass Company. An agreement implies the consent of two parties. The Pittsburg Plate Glass Company wrote his firm saying that it would do so and so; his firm continued to buy the glass company's goods, because it could do nothing else. It is a question whether that constitutes an agreement. (211, 212.)

Mr. Heroy, of the Pittsburg Plate Glass Company, says that the jobbers, both "A" buyers and "B" buyers, get nearly all their supplies from the outside factories. The Pittsburg Plate Glass Company allows them a rebate of 5 per cent at the end of the year on what they buy from it, in consideration of their buying their glass in this country. There has been no attempt to limit their trade to the Pittsburg Plate Glass Company. They agree to buy all their glass in this country; but there is nothing to prevent their buying in Europe if they choose. The company would not on that account refuse to sell them glass. (243, 245.)

Mr. Pitcairn, president of the Pittsburg Plate Glass Company, referring to the letters by which the Pittsburg Plate Glass Company is said to have forbidden jobbers to buy glass in Europe, says that there is an organization called the American Plate Glass Association, of which the "A" jobbers throughout the country are members. These members buy their glass from the manufacturers other than the Pittsburg Plate Glass Company, but they also buy glass which can not conveniently be supplied by the outside companies from the Pittsburg company. "That association of jobbers was willing to purchase all their glass from American manufacturers, provided the manufacturers would allow them certain preferential prices, and pursuant thereto that association at a recent meeting passed a resolution that the jobbers should not import any plate glass. There are 91 recognized 'A' and 'B' jobbers in the country, and the letter referred to was sent to 3 of them only; those 3 being located in Philadelphia. The letter was not a demand by the plate-glass company or by the manufacturers, but was intended simply to call the attention of the jobbers to the fact that the jobbers' promise not to import was being broken, and to call to their attention the resolution not to import which was passed by the jobbers themselves."

In reply to the suggestion that Philadelphia jobbers must buy their glass of the Pittsburg company or be cut off from certain sizes which they could not get from independent companies, Mr. Pitcairn says, "the Pittsburg Plate Glass Company has never refused to fill any orders from anyone with good credit." (231.)

2. *Classification of buyers.*—Mr. Mayer, of the glass department of John Lucas & Co., testifies that his firm can not buy stock sheets of plate glass, because it is a "B" buyer. Stock sheets are sheets of glass just as it is finished in the factory, without cutting or trimming the edges. They are distinct from cut sizes, which are glass cut to the required measure. The distinction of "A" and "B" buyers never existed in the trade until the Pittsburg Glass Company established it a short time ago. That company simply announced to the trade that such and such buyers only would be recognized as in the "A" class, and only "A" buyers would be permitted to buy stock sheets. Before that time any dealer could send in a list of his requirements and make a contract for stock sheets at whatever price the manufacturers chose to make. There was not then any uniformity of prices as there is to-day. Dealers preferred to buy in stock sheets, because the glass came cheaper in that form, and business experience showed that it was the more advantageous way to buy. Only one house in Philadelphia is named as an "A" buyer, and no one else in the city is

allowed to buy stock sheets. Mr. Mayer believes that this plan has been adopted as a step toward crowding out the jobber of plate glass, in order to diminish the competition and give the Pittsburg Plate Glass Company more absolute control. He thinks the result of such a movement would be, so far from benefiting the consumer by eliminating the profits of one middleman, rather to enable the combination to put up prices still further. (218, 223, 224.)

Mr. ELLIOTT says that the Pittsburg Plate Glass Company decided to made some people "A" buyers and other people "B" buyers. If one wanted to become an "A" buyer one must give an order for 100,000 feet of glass and agree to become a factor in carrying on the sheet-glass business. (211, 212.)

Mr. PITCAIRN, president of the Pittsburg Plate Glass Company, denies the assertion that the classification of the plate-glass buyers originated with his company. It has existed for many years, he says, and was established by the jobbers themselves. It was the custom of the manufacturers to sell their product to certain buyers called "A" buyers. These in turn recognized a class of houses who did business on a smaller scale and to whom the "A" buyers made preferential prices. These were called "B" buyers. The "A" buyers carried large stocks of glass at their own risk and at the cost of a considerable investment. The "B" buyers did a hand-to-mouth business, involving little risk and little investment. (230, 241.)

Mr. HEROY, of the Pittsburg Plate Glass Company, says that according to his recollection the distinction between "A" and "B" buyers dates back to 1890. A distinction was then made between "A" buyers, who were purchasers of stock sheets, and "B" buyers, who did not carry stock, but had their orders executed by different jobbers and received a commission. The "B" buyers may have had a few sheets of glass in their warehouses, but they did not carry sheets to any great extent. When the Pittsburg Plate Glass Company decided to distribute its own product it cut loose from the buyers of stock sheets. It does not now sell glass except in cut sizes. (242, 243.)

3. *Distributing branches.*—Mr. MAYER says that the profit to jobbers of plate glass is very small. They sell it at the same price at which it is billed to them, and all they get for handling it is a rebate of 5 per cent at the end of the year. The Pittsburg Plate Glass Company has recently established a distributing house in Philadelphia and one in each large city. Mr. Mayer believes that they wish to crowd out the jobbers. He does not think that this can well be done, because it is necessary to handle various other lines of glass in connection with the plate glass. It is true that the Pittsburg Plate Glass Company is branching out into other lines; it is now handling at its branch houses a line of paints, brushes, and similar supplies from an allied factory. (225.)

Mr. PITCAIRN says that his company was forced to undertake the distribution of its own products by the arrogant attitude of the jobbers. When the present consolidation was formed there existed an association called the National Plate Glass Jobbers' Association, which regulated the prices to the consumer and to a large extent fixed the prices that jobbers paid to the manufacturers. One of their resolutions is as follows: "That we will not offer to sell, directly or indirectly, any plate glass or other glass in connection therewith under any circumstances at a lower price or on any other terms and conditions than those specified by the National Plate Glass Jobbers' Association." This association demanded that the manufacturers should not sell stock sizes to any jobber who did not carry at least 50,000 feet of stock. "This was the immediate reason for our going into the jobbing business, though it was expected that for economic reasons we would ultimately do so." There was no desire to crush the jobbers, and when the company announced its policy to market its own product it announced at the same time that it would sustain prices until the jobbers could dispose of their stocks on hand. The company now has more than $4,000,000 invested in the jobbing branch of its business. It has warehouses in 14 cities, with branch offices for the sale of glass in 3 others. Mr. Pitcairn declares that in proportion to the capital invested the jobber has a larger profit than the manufacturer. It would not be practicable to establish branch houses for the sale of plate glass alone except in the largest cities. Necessity has compelled the company, therefore, to add such allied products as window glass, paints, and painters' supplies. This was not done as a means of coercing the glass and paint trade. It is intended simply to do a legitimate business, each branch of which is supposed to stand upon its own footing. The company buys its window glass from the American Window Glass Company at the same prices that other jobbers pay. It has thought that it should have a preferential rate because it is such a large customer, but it has not obtained one. (227–231, 234, 238, 239.)

Mr. HEROY says that the general prices to the trade are announced in circulars, which are distributed to dealers, so far as the dealers are known to the company,

and that jobbers receive a rebate of 5 per cent from the prices so announced. This 5 per cent is all that the jobbers would ordinarily have for handling the glass, though in some cases they would make more in selling to the smaller trade who might not be familiar with prices. The Pittsburg Plate Glass Company gives its local agents in control of its jobbing houses a good deal of discretion in selling to superintending architects and builders. (245.)

C. Effect of combination on prices.—Mr. MAYER, of the glass department of John Lucas & Co., states that the Pittsburg Plate Glass Company has advanced the prices of plate glass within 3 years at least 150 per cent. For instance, size 12 by 60 inches sold 2 or 3 years ago at 75 cents a light; to-day it sells for $1.88. Size 24 by 60 sold at $2.40 a light; to-day it sells for $6. Size 24 by 84 sold at $4.55; to-day it sells at $11.38. These three sizes cover the greater part of the demand. (218, 220, 221.)

Mr. Mayer adds that plate glass was imported much more freely several years ago when the American prices were lower. In reply to the suggestion that if the combination has raised the price in the United States 150 per cent within 3 years, and some kinds can still be imported only 10 or 20 per cent cheaper than they can be bought here, the price in Europe must also have risen greatly, he offers no further elucidation of the facts, but states that he does not know of any trust or combination of manufacturers in Europe to raise the price. (219.)

Mr. HEROY, of the Pittsburg Plate Glass Company, says that since this company manufactures 72½ per cent of the output its prices certainly regulate the general trade prices. There is enough domestic and foreign competition to prevent the company from exacting an unreasonable price. (243.)

Mr. PITCAIRN, president of the Pittsburg Plate Glass Company, presents a table showing the prices of plate glass at intervals of 5 years, from 1875 to 1900. The table shows lower prices in 1900 than in any other of the years given except 1895. Mr. Pitcairn admits that in 1897 prices were very much lower, but he declares that that was an exceptional period, when the business was in its most demoralized condition. It is unfair in making a statement of the advances to select certain sizes and show the advances on them only. "The actual cash returns received by this company show that the average advance of glass from that period has been only from 50 to 60 per cent, and not 150 per cent, as alleged. This is computed upon the entire sales of all sizes of plate glass. Some of the preferential buyers are now buying certain sizes of plate glass at prices lower than before the industrial revival of 1898." Moreover, there has been a great increase in the price of materials. Mr. Pitcairn gives a list of about a dozen materials, with a statement of the per cent of advance in each, and says that the average increase in the raw materials is about 85 per cent. Wages have also advanced. The last increase of wages was made May 1, 1899, and amounted to 5 per cent. (231, 232, 235.)

Mr. Pitcairn declares that about two-thirds of the product of his company is sold in sizes under 10 square feet and sold without profit, and that a very large part of this two-thirds is sold at a large loss. An independent factory is now building for the manufacture of small sizes, but Mr. Pitcairn does not believe that it can compete profitably with foreign glass at the present price. He explains that his company has during the past 2 or 3 years increased the sale of small sizes very materially by replacing what is known as German plates, which are a blown glass, ground and polished, and are sold largely in this country for use in cheap furniture. To get this trade the company has been obliged to sell cast polished plate glass of the same sizes as the German plates much below the total cost of manufacture. "We have figured that in taking this business we would not increase our general expenses and cost of distribution at all, and that if we could get the bare cost of materials and labor entering into its production we could afford to take it, temporarily at least, to keep our works running and our men employed; but if this business is considered on the same basis as our business as a whole, bearing its full share of the general expenses and cost of distribution, then it is done at a loss of from 10 to 15 cents per foot." Mr. Pitcairn's company is giving the furniture factories plate glass which is much better than German plates at the same price. (235, 240.)

D. Remedies for alleged evils of combination.—1. *Tariff revision.*—Mr. ELLIOTT presents a protest on behalf of the Philadelphia Paint Club against certain features of the tariff. The club is composed of paint manufacturers and glass dealers. At a regular meeting held December 5, 1900, resolutions were unanimously adopted which contained the following propositions:

> The levying of protective duties is intended to produce a revenue, to encourage the establishment of home industries, and to protect American manufacturers and workmen from destructive foreign competition. Prohibitory duties not only fail to produce revenue, but in many cases enable the beneficiaries of them to take undue advantage of consumers in direct opposition to the principle upon

which the whole theory of protective duties rests. The development of American industry in many lines and the consolidation and combination of producers has rendered existing duties on the one hand excessive and on the other has left the consumer without the benefit of competition as a factor regulating prices. The development of American commerce in foreign markets would be greatly facilitated, and may be attained, by reasonable moderation in the duties upon raw materials, which are shown to be in excess of the requirements both of revenue and protection.

In view of these considerations the club resolved to communicate with other organizations of the trade and make an effort to "crystallize the sentiment of the country in the direction of the revision of the tariff on more equitable lines."

The duty to which the club particularly refers is that on plate glass. Mr. Elliott states that manufacturers of plate glass, by a combination of factories, closing some and reducing the output of others, have advanced the price, as it is alleged, from 125 to 150 per cent, according to the size of the plates. Mr. Elliott and the club which he represents are favorable to protective duties as such. They object to "the abuse arising from the duties, when, after the industry has been established, advantage is taken to monopolize the production and distribution." Mr. Elliott quotes President McKinley's message on the subject of taxation, "that reduction shouid be secured by the revision of those taxes which experience has shown to be the most burdensome to the people." There has been nothing in the condition of the markets or the price of raw materials that would justify the increased price. In the case of sheet glass, a box of glass can be brought on board ship in a foreign port for the mere cost of blowing the same quantity of glass in this country, without saying anything about the cost of material and boxing and profit for the manufacturer. But the skilled labor which cuts so large a figure in the blowing of sheet glass is not to any extent necessary in the production of plate, outside of a few foremen. The plate-glass trust has put up the price so enormously that, in spite of the duty, which on most sizes ranges from 100 to 175 per cent of the cost of foreign glass, with freight added, polished plate can be imported in cut sizes from 10 to 20 per cent cheaper than the extreme selling price of the plate-glass trust. (206–208.)

Mr. Elliott holds that the present conditions of trade demonstrate that we have but little to fear from foreign competition. Interest is as low here as abroad. We hold the key to the position in coal. Workmanship is superior in this country, and we turn out more per capita. In view of facts that Mr. Elliott presents as to the results of what he considers the excessive duty on plate glass, on white lead, and on linseed oil, he believes that the Philadelphia Paint Club, which he represents, is justified "in asking for a modification of duties on the lines suggested by the President of the United States in his message to Congress this year." He suggests as a basis an amount of protection sufficient to cover the difference in labor cost between the United States and foreign countries, with an addition of 5 or even 10 per cent "to cover other contingencies for the rise and fall in the remuneration to labor." When it is suggested to him that an attempt to modify the tariff to suit the paint trade would open the door to a revision of the tariff all along the line, he replies that he and those he represents "think the time has come when we might possibly venture to do something of that kind." While they believe in the theory of protection to American industry, evidence has been presented before the Industrial Commission which proves without doubt that some lines are inordinately protected. The fear of a general agitation of the tariff question is not a sufficient reason for perpetuating such evils. "We say we would be willing to stand any amount of agitation or whatever might follow in order to have those particular matters reduced to a proper basis." (210, 213, 216.)

Mr. Mayer, discussing the monopolistic policy of the Pittsburg Plate Glass Company and the great increase of prices which it has made, says, "The cause for the evil exists and will exist whether we should obtain a speedy remedy from any Federal court or not. It remains in the form of an oppressive, exorbitant tariff, of which manufacturers are taking an undue advantage." (221.)

When Mr. Mayer is asked how the tariff can be the cause of the recent increase of prices and introduction of oppressive conditions in the plate-glass trade, since the present tariff is substantially the same as that of 1890 and 1894, he replies that the interests of the manufacturers are now consolidated as they were not before, and they take advantage of the tariff. The forbidding of importation, for instance, is an evil which would not be possible but for the high tariff. (222, 224.)

Mr. Pitcairn, president of the Pittsburg Plate Glass Company, presents a table showing the duties on plate glass under the last three tariff laws. It is shown that on sizes up to 24 by 30 inches the Wilson bill made no change, and the Dingley bill made an increase of 3 cents a square foot on sizes up to 16 inches by 24 and 2 cents on sizes from 16 by 24 to 24 by 30. Mr. Pitcairn asserts that glass of these sizes is now sold at less than the cost of production. On larger sizes the Wilson bill reduced the tariff and the Dingley bill maintained the Wilson bill rates. (232.)

Mr. Pitcairn states that, while European manufacturers of plate glass are united in an international syndicate and divide the world's markets among them, the United States is left out, because the American plate-glass industry has not been able thus far to export and to make its cooperation valuable to the European organization. The European manufacturers, therefore, treat the United States as a dumping ground for their surplus, and make prices for export to this country far below their domestic prices. Thus the European price for polished plate glass, cut to size, for the United States is 40 per cent and 5 per cent discount from a certain price list; for England, 10 per cent discount from the same price list. This makes the price in England 58 per cent higher than that in the United States. For stock sizes the European discount is, for the United States, 30 per cent off the list, and for England 5 per cent off the same list, making the English price 36 per cent higher than the American. In France a different list is used and exact comparisons are less easily made; but Mr. Pitcairn asserts that plate glass is sold in France at least 100 per cent higher than if shipped to this country. Mr. Pitcairn attributes to this policy the recent increased imports to the United States. The imports have been for the first 10 months of each year of the last three: in 1898, 368,797 feet; in 1899, 716,632; in 1900, 1,590,350. Mr. Pitcairn asserts that the prices at which glass is shipped to this country are actually below the average cost to the manufacturers, though not so low as to be unprofitable when the trade is regarded as a surplus trade. (229, 230.)

2. *Antitrust law.*—Mr. MAYER has no faith in the antitrust law as a remedy for excessive raising of prices and other oppressive policies of the plate-glass combination. He believes that the 3 so-called independent companies are working under an understanding with the Pittsburg company, but if so the facts are not obtainable in writing nor in any form that would be competent evidence before a court. The cause of the evil he thinks is in an oppressive, exorbitant tariff, and the one remedy is in a modification of the tariff. (221, 222.)

Mr. ELLIOTT does not consider the antitrust law of any great value. "We have the actual facts before us as to what have been the results from action of this kind, and practically nothing has been obtained." In demanding a revision of the tariff he thinks that "we were really getting to the fountain head by striking at the cause." (214, 216.)

E. Labor in the plate-glass industry.—1. *Labor cost of plate glass.*—Mr. PITCAIRN says that the labor cost is about 48 per cent of the cost of manufacture of plate glass. (236.)

2. *Number and nationality of employees.*—Mr. PITCAIRN states that about 10,000 persons are employed in the plate-glass industry in the United States. He thinks from two-thirds to three-fourths are Americans. When the industry was started, it was, of course, necessary to get foreign workmen who were familiar with it; but manufacturers prefer Americans, and very few foreign workmen come now. The American is more steady and more alert and more efficient. It does not take long to learn the business. It does not require the same mechanical skill as window glass or other branches of the glass industry. (240, 241.)

3. *Labor organizations.*—Mr. PITCAIRN says that there are no labor organizations in the plate-glass industry in this country, or, he thinks, in Europe. He has never had to consider the question of dealing with a labor organization. The employees are well treated, "and they have never seen the necessity for an organization. In any company employing so large a number of men as we do there are sure to be some malcontents and disturbers, but we have been fortunate in the fact that the large majority of our men have not allowed themselves to be led or unduly influenced by men of this class." (236.)

4. *Wages.*—Mr. MAYER states that so far as people in the trade can learn the enormous increase in the price of plate glass during the last 2 or 3 years has not been accompanied by any increase in the wages of the workmen. In reply to the suggestion that it is fair to assume that with an increase of the tariff by the Dingley bill there was an increase in the wages, he replies that that is an assumption which he does not think is verified by the facts. He knows that there has been an increase in wages in window-glass manufacture, but that it is an entirely different industry. (218–220.)

Mr. PITCAIRN states that the wages paid at the different factories of his company are practically uniform. The tendency is to increase wages in good times and to reduce them in bad times. The wages paid to-day are 20 per cent above those paid by the Pittsburg Plate Glass Company in the depression of 1893, and 24.6 per cent higher than those paid by other plate-glass works at that time. A 5 per cent increase was made May 1, 1899. (235, 236.)

Mr. Pitcairn adds that his company has established what it calls the employees' gratuity fund. It places to the credit of every factory employee at the end of the

month a sum equal to 2½ per cent of the previous month's wages. On this fund 6 per cent interest is allowed and credited. The fund may be withdrawn semiannually by employees after 2 years of continuous service, or it may be allowed to remain, in which case 8 per cent interest is allowed and credited semiannually. In the event of the death of the employee, or of his wife or of his child, the fund may be withdrawn immediately and without notice. The credit is forfeited if an employee voluntarily leaves the service of the company without giving 30 days' notice, or if he is dishonorably discharged. This fund "is a reward for faithful services and to men who have been long in our service." (236, 240.)

5. *Wages in America and Europe.*—Mr. PITCAIRN presents a detailed table of wages in the plate-glass industry in America and in Belgium. He asserts that the average wages in the industry in the United States are about 200 per cent higher than in England and about 300 per cent higher than in Belgium. (233, 234.)

V. THE SALT COMBINATION.

A. Description of industry.—1. *Generally.*—Mr. WHITE, president of the National Salt Company, says that salt is obtained from three sources, sea water, natural brine springs, and rock-salt deposits. Salt deposits are sometimes mined, and the salt is prepared for market in much the same way as anthracite coal. Oftener, however, the purest obtainable water is pumped down from the surface, brought up again saturated with salt, and evaporated. No salt is made from sea water in the United States, except in California. Some is made in Utah from the water of the Great Salt Lake. At Syracuse, N. Y., salt is made from natural brine springs, both by solar evaporation and by artificial heat. The National Salt Company makes some salt by solar evaporation in Texas. Salt is made more economically from an artificial brine produced by pumping water into a rock-salt stratum than from natural salt springs, because the brine is more nearly saturated. The saturated brine contains, theoretically, about 26 per cent of salt. In practice about 25 per cent can be got. The Saginaw Valley brine contains about two-thirds of this amount, and the Syracuse brine not quite so much. (246–248.)

The fuel used in New York is the cheapest quality of coal, usually anthracite screenings, costing about $1.50 a ton delivered at the salt works. In Ohio bituminous slack is usually used. In Michigan salt is practically a by-product of the lumber industry. The brine is evaporated with the refuse from the sawmills. Some salt manufacturers figure that they can make salt for nothing, because it would cost them about as much to burn up the slabs as to make the salt. Others say it costs them more than they get for it. The lumber business and the salt business are so interwoven that it is hard to tell. (249.)

Salt land is so cheap that a factory usually has 40 or 50 acres. It is impossible to tell what land the salt comes from. It has been found by experiment that two wells may be put down at the same time 1,500 feet apart and in 3 years will be united. Water put down one well will come up the other. (267, 268.)

2. *Working people employed.*—Mr. White says that the cost of producing salt goes, roughly, half for fuel and half for labor. To produce 1,000 barrels of salt by the open-pan system and put it in the warehouse would require about 60 men 1 day. In some systems of manufacture the number is less. Quite as much labor is used, however, in putting the salt into packages and shipping it as in the actual manufacture. About 100 hands would be required, on the average, to manufacture and ship 1,000 barrels of salt a day. About 30 per cent of the employees are women. Probably 130,000 to 150,000 persons are employed in the salt industry in the United States. (255, 256.)

3. *State inspection.*—Mr. WHITE says that there is a pretense of State inspection of salt in Michigan, but that it does not amount to anything. The law is not carried out. In New York all brine springs are under the control of the State, but there also the inspection is of no account. (254.)

Mr. White estimates the production and consumption of salt in the United States, east of the Rocky Mountains, at about 10,000,000 barrels evaporated from brine by artificial heat, about 1,000,000 barrels of solar salt, and about 2,000,000 barrels of mined rock salt, a year. (249.)

B. National Salt Company.—1. *Organization and history.*—Mr. WHITE, president of the National Salt Company, says that this company was organized in March, 1899, and acquired at that time 13 plants in New York State. Its preferred stock is 7 per cent, noncumulative. The tangible assets of the concerns taken in at the beginning were appraised, and preferred stock was issued in payment for them. An

issue of common stock was also made to the owners for their good will, earning capacity, trade-marks, brands, etc., at the rate of 5 times their average annual earnings for the 2 preceding years. Each owner had the privilege of taking $100 cash for 1 share of preferred stock and 1 share of common, each of $100 par value. One million five hundred thousand dollars preferred and the same of common were offered to the public at the rate of $100 for 1 share of preferred and 1 share of common. No syndicate was formed to underwrite the securities, but the shares were offered through the Atlantic Trust Company, of New York, which received a fee of $5,750, or one-half per cent, for its services. After the original organization of the company other properties in Ohio, Michigan, and Texas were bought on the best terms possible. Payments were sometimes made in stock and sometimes in cash. Usually, when payment was made in stock, it was made on the basis of 1 share of preferred and 1 share of common for $100. Sometimes, however, the stock was issued at its market value at the time. The share of preferred and the share of common have never been worth less than $100 together, and they have gone as high as $140. (249–252.)

The company has no bonds, and none can be created without the consent in writing of the holders of 75 per cent of the preferred stock and 75 per cent of the common stock. The following provision also appears in the certificate of incorporation: "At no time shall the total amount of the preferred stock issued exceed two-thirds of the actual capital paid in cash or property." The preferred stock is preferred not only as to dividends but as to the assets in case of liquidation. It has the same voting power as the common stock. It has practically every right of a bond except that the dividends are noncumulative and that it has no right of foreclosure. (259, 269.)

The company has paid since its organization 7 per cent a year on the preferred stock and 6 per cent on the common. The total net earnings in 1900 were, however, about 12 per cent on both preferred and common. The stock outstanding is about $5,000,000 preferred and $7,000,000 common. (257, 259.)

The stock is distributed at the average rate of 52 shares to each stockholder, representing an investment of about $3,100 at the present market prices. The board of directors own perhaps 20 per cent of the stock; possibly 30 per cent. Mr. White guesses that at least 100 or 200 stockholders would be needed to control the corporation. (264, 265.)

2. *Business methods.*—Mr. WHITE says that in most cases the former owners of the plants which the company has bought have been retained as superintendents. There have been no great changes in the working force. Six plants of the 36 have been shut down for purposes of economy. The producing districts—New York, Ohio, Michigan, Kansas, and Texas—are divided into departments, each with its head, and each conducts its business in its own way, under general instructions from the executive officers. The purpose of this method is to keep in close contact with the trade and avoid trying to deal with conditions 1,000 miles away. Reports of sales are received every day, however, from every office; and once a month the books are closed and the company knows what has been made or lost and where and how. The records of the different plants are closely compared and good results are obtained by "rubbing the records of the different managers together." Just as far as it is possible individual effort is recognized in every man from the president down. The president's salary is contingent on results, and that indicates the policy which the company applies wherever it can be applied. (252, 253.)

3. *Control of business.*—Mr. WHITE presents a table giving the capacity of the several plants of his company. The great majority of the plants are in New York. After New York the Kansas plants are the most important owned by the company. Those of Ohio have nearly the same capacity, and the company produces smaller amounts in Michigan and Texas. The company does no salt mining, though it buys and sells some rock salt. Only about 3 or 4 per cent of its product is made from natural brine; the remainder is made by pumping water into and out of rock-salt strata. Mr. White says that the company produced in 1900 between 8,000,000 and 9,000,000 barrels, out of an estimated production of 10,000,000 barrels by artificial evaporation in the United States east of the Rocky Mountains, and a total production in that territory, by all methods, including mining of rock salt, of about 13,000,000 barrels. (247–249.)

Mr. KLINCK, a meat packer of Buffalo, says that he and other packers have been compelled to buy their salt from the National Salt Company. There has been no other source of supply. There are only one or two outside salt companies in New York, and they make chiefly table salt, which is not what packers want. Mr. Klinck and other packers in Buffalo recently formed a company to make their own salt. This company bought 200 acres of land adjoining the plant of the National Salt Company in Leroy, N. Y., and intended to drill a well and pump out of the same brine

basin that it used. The projectors felt some fear, however, that the basin might not furnish brine enough to support two plants. It was thought best to ask the National Salt Company if it would sell its establishment. It, perhaps, felt the same fear of shortage of supply; and it did, in fact, sell its Leroy plant to the new company. It was a condition of the bargain that the new company should sell its surplus salt, above what was used by the stockholders, to the National Salt Company, until January 1, 1902, at $3.25 a ton, free on board cars. Other conditions of the bargain, however, were the cancellation of a contract, which bound Mr. Klinck to buy his salt from the National Salt Company during 1901, at $5.70 per ton, and also a contract of Mr. Dold to buy 1,682 tons from the National Salt Company at $6.40. After January 1, 1902, the new company expects to enter the market as a competitor of the National Salt Company. The plant which it bought is very much out of order. When in good order it has a capacity of a thousand barrels of salt a day. The Buffalo packers use about 4,000 tons of salt a year—only a small proportion of the capacity of this plant. The company could increase its capacity indefinitely, as it has 270 acres of salt land. (270, 271.)

C. Causes and effects of combination.—1. *Reasons for combination—Competition.*—Mr. White says that the competition in the salt trade was severe, and resulted not only in low prices but in cheap and poor salt, put up in cheap and flimsy packages. All salt is sold delivered at the point of consumption. From 30 to 60 per cent of the price is freight. Each producing section ought, therefore, to supply the neighboring territory. This was not always done, however, because the salt made in some regions was not acceptable in quality. The result was that salt was shipped to distant and unnatural markets, paying freight that sometimes exceeded the value of the salt at the point of production. The average price received by many manufacturers in Michigan, in July, 1899, was 28 cents a barrel, including the cost of the barrel, which is estimated at 20 cents. The remaining 8 cents did not cover the cost of producing the salt. Much Michigan salt was sold in territory naturally tributary to Ohio and Kansas fields. On the other hand, Ohio and Kansas producers shipped salt into territory which the Michigan producers considered theirs.

It is true that the companies that were well situated and well managed and made a superior grade of goods made money. The Cayuga Company's works at Ludlowville, N. Y., in which Mr. White was interested, made an average of 20 per cent a year for 3 years before the consolidation. But this was a very well located property, and the actual value of the plant was greater than the amount of the capital stock on which the 20 per cent is reckoned. The stock was $150,000. When the capital was fixed at this amount the capacity of the plant was 1,000 barrels a day, but when the works were sold to the National Salt Company the capacity was 1,800 barrels a day, and the tangible assets were valued, Mr. White believes, at $240,000. (253, 256, 257.)

2. *Advantages of combination—a. Generally.*—Mr. White says that the salt business is peculiarly adapted to unified control, first, because of the improvement in quality that is effected; second, because of the saving of cross freights; third, because of the possibility of shipping mixed carloads. A customer may not be able to use a carload of table salt, but may want a carload of salt of various grades. The freight rate on a carload is less than half that on a smaller quantity. No one plant produces all the various grades. All the great staple commodities, like iron, coal, sugar, oil, and salt, are best manufactured and distributed by large organizations, because by that means the charges for administration, superintendence, etc., are reduced to a minimum. (263.)

b. Freight rates—Quality of goods.—Mr. White says that 30 to 60 per cent of the price at which salt is sold delivered is freight. Before the formation of his company salt was sometimes shipped where the freight amounted to more than the value of the salt at the point of production. A special reason was that the manufacturers of salt nearer the purchaser made poor and unsatisfactory goods. The National Salt Company has put a stop to the cross shipping of freight, not only by stopping the attempt to get business for particular plants outside their natural territory, but also by bringing up the quality of the product of all its works to a level with the best. Every consumer can now get good salt from the works most convenient to him. (253, 254.)

Mr. Klinck says, on the other hand, that the quality of salt has deteriorated since the National Salt Company was formed. More moisture is sold in it than formerly. (272.)

c. Salesmen.—Mr. White says that the number of salesmen employed by the National Salt Company is some 30 per cent less than the number employed by the several companies before the consolidation. The number is small, however. Probably it was 50, and is now 35 or 40. The men that ceased to be salesmen were given other employment. (256.)

d. Middlemen.—Mr. WHITE states that one of the savings which his company has tried to make is the getting rid of middlemen and selling directly to the consumer, or at least to the retail grocer. The company has wished not to do violence to established customs, and in some parts of the country the salt is still handled through agents and dealers; but the desire of the company is to get as close to the consumer as possible, and Mr. White believes that this policy is advantageous to the consumer. (253, 254, 266.)

e. Effect on wages.—Mr. WHITE presents a table of wages paid in the salt industry in each year from 1890 to 1901. It shows $1.50 paid to laborers from 1890 to 1892, $1 to $1.12½ in 1895, and $1.50 in 1901; $1.75 paid to firemen in 1890 to 1892, $1.35 in 1894 to 1897, and $1.70 to $1.80 in 1901. (255.)

f. Effect on prices.—Mr. KLINCK, a meat packer of Buffalo, presents a statement of the prices which he has paid for salt by the ton, delivered at the packing house in Buffalo, since 1891. They are as follows: In 1891, $3.25; in 1892, $2.85; from 1893 to 1897, $2.50; in 1898, $4.05; in 1899, $4; in 1900, $4.50; in 1901, $5.70. He supposes that the great advance is caused by the formation of the trust, the National Salt Company. Probably there was no profit in selling salt at $2.50, and there may have been a small loss. No business made money during those years. But the price ought not to have been advanced to $5.70. Mr. Klinck's recollection is that during the eighties the price ran from $3.25 to $3.50. (270.)

Mr. Klinck says that the National Salt Company people told him after his company bought out the Leroy plant that it cost them $2.45 a ton to manufacture salt at Leroy; but with a large plant, with good facilities and everything in good order, salt can be made cheaper. (271.)

Mr. WHITE gives the prices received by salt manufacturers in Michigan each year from 1866 to 1901. These are supposed to be prices at the point of production. They run from $1.80 a barrel in 1866 down to 40⅙ cents in 1896 and 38⅘ cents in 1899, and up again to 47 cents in 1900, and about 55 cents in 1901. Mr. White believes, however, that the average price in the different markets is less than the average price which prevailed 5 years ago. He bases this proposition on the statement that the National Salt Company has endeavored to equalize prices in various parts of the country, in view of the prevailing freight rates. It seems to be based also upon the statement that the salt company has effected savings by the elimination of cross freights; that is, a saving in freight might enable a certain increase of price at the point of production to coincide with a decrease of price at the point of consumption. Mr. White states, however, that freight rates have advanced about 25 per cent. (254, 255.)

Mr. White also points out that it is only necessary to make about 4 cents a barrel on the salt his company handles to pay a dividend of 7 per cent on the preferred stock, and only 5 cents more to pay 6 per cent on the common; that is, the actual dividends that are paid at present only mean 9 cents a barrel on the salt. (259.)

In reply to the suggestion that the retail price of salt at certain places has advanced from 90 cents a barrel to $1.40 within a few years, Mr. White says that the price of cooperage stock has advanced about 60 per cent, labor has advanced, coal has advanced, and transportation has advanced. The small consumer pays no more at retail than formerly. The grocer used to buy a 5-cent bag of salt for 2 cents and sell it for 5. He now pays about 2¾ cents, but he still sells it for 5. (266, 267.)

Mr. White states that the prices of outside salt producers generally follow those of his company, sometimes cutting under just enough to get the business. (260.)

g. Local price cutting.—Mr. WHITE says that his company sells low where there is competition and recoups itself off the general market. He considers this perfectly proper, and, on the whole, advantageous to the public. The company does not have a complete monopoly anywhere. There is not a town in the country which its competitors can not reach if they wish to. It is not possible to put up the price in Kansas to an extraordinary point to make up for loss in killing competition in New York. (262, 263.)

D. Remedies for evils of combination.—1. *Publicity—United States charters.*—Mr. WHITE believes in publicity, and his company gives its stockholders full and complete information. Yet he does not blame others who refuse to give such information. To give it to the public is to give it to their competitors. He does not think the annual statement required by law in New Jersey gives as much information as a company ought to give. The stockholders are not sufficiently informed. He does not think, however, that State regulation of these things is wise. It can not succeed. If one State attempts it, corporations will go to another State. The Federal Government should exercise supervision and issue a Federal charter. (266, 268.)

2. *Antitrust suits.*—Mr. WHITE says that his company has been attacked in the courts of Ohio and of Michigan. Mr. Monnett, who, as attorney-general, brought the suit in Ohio, "is out of business, and in Michigan the attorney-general was defeated for reelection, so that is the end of that suit. I don't think any of them have been sincere. I think it is all the work of demagogues." Mr. White does not know whether the trusts had anything to do with the defeat of these men, but he knows his company had not. (266.)

3. *Competition.*—Mr. KLINCK does not think that it would be possible to maintain a monopoly of salt or an exorbitant price upon it except for a short time. The supply of salt in the earth is so great that it could not be monopolized. A new salt plant would cost $150,000 to $200,000. The great trouble is that it takes about 2 years after starting a new plant to begin to make salt. That is because of the necessity of saturating the earth with water and forming a cavity before brine can be pumped. There is one new company starting on Seneca Lake. There is an independent salt company in Ohio, which recently began to sell salt in Buffalo, and caused the National Salt Company to put down its price 30 cents a ton. During the last 6 months salt has been sold cheaper in Cleveland than in Buffalo, and Buffalo parties began to order barrel salt from Cleveland; but the National Salt Company told the man who shipped the salt, as Mr. Klinck has been informed, that if he did not stop the company would stop selling him. (271–273.)

Mr. WHITE says that, generally speaking, his company has the trade and somebody comes in and tries to get it. The only way to get it is to cut the price. His company meets the price and sometimes cuts lower. It is impossible to destroy competition. It may be killed in one place or for a little while, but it comes up somewhere else, and comes up constantly. (264.)

About $200,000 would establish a thoroughly well-equipped salt plant, say in central New York, which could manufacture salt as cheaply as the National Salt Company. The company is at a certain disadvantage among small purchasers in country districts by reason of the prejudice against trusts. This cuts less figure the higher up you go in the scale of intelligence. Generally speaking, the company has no advantages that its competitors can not get if they are as intelligently managed. Of course capital buys the best ability, and a large company may be able to make experiments which will result in producing better goods or cheaper goods, as, perhaps, an individual could not. (265, 266.)

E. Importation and exportation—tariff.—1. *Importation—tariff.*—Mr. WHITE says that foreign salt can only be sold on the seaboard or within 300 or 400 miles of it. The principal competition came formerly from England, where the industry is controlled by the Salt Union. The United States was a dumping ground for their surplus product. It usually came as ballast. A cargo of salt, for example, can be shipped from Liverpool to Savannah at an average rate of 75 cents per ton of 2,240 pounds. The freight from the nearest producing point, which is the New York field, is about $3 a ton. A ship can not handle salt for 75 cents a ton. The stevedoring at Liverpool probably costs 15 cents a ton, and it costs about 25 cents a ton to get it out of the vessel and on the dock at the Southern port. There is 40 cents a ton for terminal charges, leaving 35 cents of net income. Our tariff is 8 cents per 100 pounds. This enables us to compete with the English salt in the seaboard markets. The National Salt Company is now supplying Savannah with its salt. It makes such prices as are necessary to meet competition, not only there but elsewhere, whether the competition comes from abroad or from home. The prices received by the National Salt Company at the point of production are lower than the prices received at the point of production by the English producers. (260, 262.)

There has been a prejudice in the minds of American farmers in favor of Ashton salt for dairy purposes. They have tried poor grades of American salt and have concluded that all grades of American salt are poor, and have gone to the other extreme of buying the finest of English salt. The amount of English salt now imported is very small. A little goes to Chicago and other Western points and is used for packing meats for export. On this there is a rebate of duty. (261, 262.)

2. *Exportation—prices lower than domestic.*—Mr. WHITE says that his company has been exporting a little salt to the West Indies and a very little to London, though that is like carrying coals to Newcastle. He has just received his first order from Japan for a cargo. The price on this cargo is based on a freight rate of $2.50 a ton. The price is about 15 per cent less than the current price in San Francisco. (260, 262.)

VI. THE WALL-PAPER COMBINATION.

A. History of combination.—1. *History generally.*—Mr. Burn, president of the National Wall Paper Company, gives a sketch of the history of business conditions in the wall-paper manufacture. For 30 years, he says, manufacturers of wall paper have combined from time to time to maintain uniform prices and terms of credit. The first of these arrangements was a simple agreement on a schedule of prices and terms. There was no penalty for violation of the agreement, yet it was fairly well observed for several years. The hard times that prevailed after the panic of 1873 caused so intense a competition for business that little regard was paid to the agreement, and it was finally abandoned. There was an open market, with depreciation of prices and unprofitable business. Two of these simple agreements existed before 1880, one lasting for 2 or 3 years and one for not more than a year.

About the year 1880 a pool was formed under the name of the American Wall Paper Manufacturers' Association. Nearly every factory in the country was included, and prices were fixed and maintained at a very high point. Each party to the agreement had to furnish security for the performance of his contract. A commissioner was appointed with authority to inflict fines, in his discretion, upon men who failed to live up to the agreement. The commissioner always had money in his hands belonging to all the factories, and if a fine was not paid he simply charged it up; yet the security given was insignificant compared with the volume of the transactions, and forfeiture of it would not have caused great hardship to any of the manufacturers. The penalties proved insufficient to hold the manufacturers to their agreement. They sold goods at less than schedule prices and failed to report the sales to the association. The diminution of profit by cutting prices was perhaps less than the amount which they would have had to pay into the pool on account of these sales if they had dealt honestly. These unfair practices increased, and finally led to the abandonment of the association. In spite of the exceedingly high prices, there was no growth of outside competition during this period, and, on the other hand, the production of the associated manufacturers increased considerably.

During the next 5 years there was an open market; prices were greatly reduced, and several manufacturers retired from business. Mr. Burn does not remember any failures among wall-paper manufacturers in this period of sharp competition; but several, about 4 out of 25 or 26, gave up the fight, closed their factories, and sold their machinery. The more progressive of the manufacturers, however, prospered throughout this period. The situation was very hard upon the dealers. A dealer who had $5,000 worth of goods in his store at the time of the dissolution of the association found that they were worth perhaps only $2,500, and prices kept decreasing further from year to year. Under such conditions dealers found it very hard to make anything or even to avoid actual loss. It was perhaps as much the desire of dealers for more stable prices as the desire of the manufacturers themselves to increase their profits that led to the formation of a consolidation.

The National Wall Paper Company was formed in 1892. Most of the manufacturers said at the time that they would be entirely satisfied if the new company earned enough to pay them the same profits that they had been earning for several years. Their good faith in this is shown, Mr. Burn thinks, by their refusing to list the stock upon the stock exchange, and so preventing speculation in it. The manufacturers believed that consolidation would bring about savings that would in themselves give a substantial profit. Acting on this theory, the company as one of its first acts reduced prices 10 per cent. The business of the first year yielded profits about two-thirds as great as the individual manufacturers had previously earned. The reduced profit was attributed to the reduction in prices, the expense of incorporation, and the inability to effect during the first year the economies that were contemplated.

As one of its economies the company decided to dispense with the middleman, or jobber, and offer its goods at a uniform price to all buyers. It established branches in most of the large cities and reduced prices still further, with the idea of distributing to the public the profits that had been earned by the jobber. The company also closed some small factories with a view to concentrating the output in the others. The discontinuance of these factories threw out of employment a number of persons, not workmen, but men occupying higher positions, who were able to interest capitalists in the establishment of new factories. The jobbers, from whom the trade had been taken away, also encouraged the growth of competition, and were able immediately to give a large amount of trade to the new factories. This movement was aided by the popular antagonism to large corporations, or "trusts." Under these conditions, and under the weight also of the general depression of business in 1893

and 1894, the company earned no money during its second year. Further economies enabled it to earn the interest on its debenture stock in its third year. In the fourth year the company absorbed one of its large competitors, reversed its policy of not selling to jobbers, and succeeded in earning about as much as the individual factories earned before the combination. New competition sprung up, however, and the earnings in the fifth year were nominal. The advisability of dissolving the company was now seriously discussed.

The new factories, however, thought that the competition of the old manufacturers as individuals was more to be feared than that of the combination. Says Mr. Burn: "They realized that if the National Wall Paper Company should dissolve, and the former owners of its factories enter the field once more as individuals, the older factories, with their greater experience and resources, would have a decided advantage over the new factories." The new manufacturers therefore made overtures for a consolidation of all interests. A new company was formed, called the Continental Wall Paper Company, which bought the product of all the factories, and by this means was able to make substantial profits. There was no restriction on the output of the several plants, "but as each of these concerns had a certain amount of stock in the Continental Wall Paper Company it was not to their interest to put in more than they expected to draw out." The prosperity of the Continental Wall Paper Company in its first year caused new factories to start. To insure a continuance of prosperity the products of these new factories were also taken; and the knowledge that a new concern could at once obtain a market encouraged the building of still more factories. In the second year of the Continental Wall Paper Company it proved impossible to hold the jobbers to their agreements as to prices. Long before the end of the year it became evident that it would be best to dissolve both the Continental Wall Paper Company and the National Wall Paper Company.

The Continental Wall Paper Company had no property rights in any factory, and the liquidation of it was a comparatively simple matter. The case was different with the National Wall Paper Company. After much effort practically every stockholder was induced to agree to an amicable dissolution of the company without the disastrous proceeding known as a receivership. The majority of the factories were bought back by their original owners and business proceeded without interruption.

Mr. Burn exhibits a copy of the certificate of incorporation of the National Wall Paper Company, and also a copy of the agreement for its dissolution. In the agreement for dissolution, the several stockholders made the directors trustees for the purposes of dissolution, authorizing them to do everything "that the company or the security holders might or could do with respect to the property and assets of the company," and in particular authorizing them, as individuals, to buy such portions of the property of the company as they might please from the board of trustees, on such terms as could be agreed on. (282–286, 288–292, 294, 296–300.)

2. *Capitalization and dividends.*—Mr. Burn states that the authorized capital of the National Wall Paper Company was $30,000,000 common stock and $8,000,000 debenture stock. The debenture stock had no voting rights, and was simply an obligation of the company. It was issued in payment for the tangible assets of the plants bought. The common stock was issued on the basis of earning power. The profits of the concerns consolidated, for the single year preceding the consolidation, were ascertained by chartered accountants. These profits multiplied by 16 gave the purchase price. The amount of the tangible assets for which debenture stock was issued was deducted, and common stock was issued for the remainder. The agreement for the dissolution of the company shows that nearly $28,000,000 of common stock was outstanding, and $7,418,100 of debenture stock. The stock was takeu entirely by the venders. There were no underwriters or promoters. (288, 296.)

To insure the good will which the company bought, its predecessors were bound by the terms of sale never to engage again in the wall-paper business except in the State of Washington. They were also obliged to place their common stock in trust for 10 years with certain trustees. (291.)

No dividends were ever paid on the capital stock. All the earnings were paid in interest on the debenture stock. (300.)

3. *Extent of control.*—Mr. Burn thinks that the company must at one time have controlled at least 75 per cent of the business, and that at the end of its existence, when it was operating with the Continental Wall Paper Company, it was probably doing fully 60 per cent. (300, 303.)

B. Economies and effects of combination.—1. *Freight.*—Mr. Burn says that his company made some savings in freight when it established its own jobbing branches, by sending goods to central points in car lots, and by taking advantage of water rates in the summer. (303.)

2. *Closing of plants.*—Mr. BURN states that there was an actual economy in the closing of some of its smaller plants, but this was more than offset by the hostility that was aroused. Some of the trade that had gone to each of these factories went to other factories of the company, but some went to outsiders. Men who had held responsible positions in these factories, and who were thrown out of employment by the closing of them, were active in starting new factories in competition with the company. (284, 292.)

3. *Traveling men.*—Mr. BURN states that his company, so far from decreasing the number of traveling men, increased it. The salesmen were directly under the control of the factories with which they were connected, but the appointment of them was confirmed by the directors of the National Wall Paper Company, and the directors exercised a supervision over them all so as to avoid the unnecessary covering of territory by different individuals. (292, 301.)

4. *Middlemen.*—Mr. BURN thinks that the attempt of the company to dispense with middlemen or jobbers and to sell its goods at a uniform price to all buyers reduced its sales, but it is impossible to say how much of the actual falling off was due to this cause and how much to the general depression of the period 1893 and 1894. Mr. Burn does not think that the middleman can be dispensed with in his line of business. For convenience sake, surrounding dealers will patronize him, and he is needed and useful. In the particular case of the National Wall Paper Company the jobbers who were cut off from the business by the company's policy encouraged new factories to start and strengthened and profited by the prejudice of the public against "trusts." (283, 284, 292.)

5. *Effect on competitors—Local price cutting.*—Mr. BURN says that the existence of his company was an advantage to its competitors. Its price was definite and uniform, and the competitors could get a little under it and make one price in one place and another price in another. The larger company could not undertake individual competition, but had to give everybody the benefit of the lowest figures. (295.)

6. *Effect on labor.*—Mr. BURN says that the independent factories, before his company was formed, usually ran about 9 months in a year—sometimes 10 and sometimes not over 7. In 1894 the factories were shut down longer than usual. At the end of that season the skilled workmen demanded an agreement for continuous employment for 11 months. This was granted. The next year it was demanded and granted again. The next year 12 months' employment was demanded and obtained, and the year after that 12 months' employment, with increased compensation. Mr. Burn seems to regard the lengthened period of employment as a disadvantage to the manufacturers, somewhat as higher wages would be. (293.)

Mr. Burn believes from his experience that industrial combination is an aid to labor in enforcing its demands. The workmen are enabled to concentrate their efforts on one concern instead of dividing them among a larger number. The unions are more likely to strike throughout the whole trade when there is a combination than when there is none, and it is much easier to replace the amount of skilled labor required for 1 factory than that required for 20 factories. Wages were very largely increased during the existence of the National Wall Paper Company, besides the prolonging of the annual term of employment. Mr. Burn implies, however, that the outside companies had to make similar concessions, and he says "the demand and competition for the services of these men helped to enforce the demands that the workingmen made upon us." He believes, however, that if there is no new consolidation and the open market continues there will have to be modifications, either in the period of employment or in the wages paid. No such modifications have yet taken place since the company was dissolved. (285, 293, 302.)

C. Sundry conditions of the industry.—1. *Probability of new combination.*—Mr. BURN says that there is a constant desire among many manufacturers in his line to try some other form of consolidation, but he does not think it probable that any such attempt will go through. He does not think that any manufacturer who has had 8 years of experience with the National Wall Paper Company could be tempted to go into another combination. He might sell out if the price were large enough, but he would not be likely to be an active participant. (300.)

2. *Capital needed to compete.*—Mr. BURN says that to establish one of the larger class of wall-paper factories would need at least $500,000 or $600,000, including plant and running capital. A wall-paper manufacturer can turn his capital only about once a year. Yet a man could start in the business in a small way on $10,000. (294, 301.)

3. *Materials and prices.*—Mr. BURN says that the raw paper used in the business is made by the same mills that make news print paper. It is now bought from the International Paper Company; it can not be bought elsewhere. The advance in the price of paper decreases the profits of the business. It does not enable wall-paper manufacturers to get more for their goods. (295, 296.)

4. *Schools of design.*—Mr. BURN declares that the schools of design do not turn out any designers who are of value in his business. "Every manufacturer is dismayed when he sees one of those people come to show him designs." A designer of the better class must have a technical education in architecture to start with, and must know the classes of decorations to be applied to different kinds of architecture. Then he should begin as a decorator and fresco painter, and have a good course in actual decoration. The idea of teaching ladies designing is all rubbish. (302.)

5. *Copyrights and design patents.*—Mr. BURN states that wall-paper designs are not generally copyrighted, because new designs are put out every year, and, as a rule, it would not make much difference if a design were copied a year after it was produced. Some manufacturers get design patents. The value of this, Mr. Burn thinks, is simply in the effect which the knowledge that a certain design is patented may have upon the customer. The manufacturer is probably able to get a little more for it. (287.)

6. *Tariff.*—Mr. BURN asserts that the tariff on wall paper of 25 per cent ad valorem is of little importance to the manufacturer. Very little paper is imported or exported, and very little would be imported if the tariff were removed. The manufacturers would not fear the removal of it. (295.)

VII. THE TOBACCO COMBINATIONS.

A. Description of business.—Mr. DUKE says that the American Tobacco Company manufactures all forms of tobacco, except cigars and plug tobacco. It has probably a hundred different brands of cigarettes, having stopped the manufacture of only those brands taken over for which there was no demand. The manufacture of the Admiral cigarette was discontinued, because there was no demand for it. The company controls about 75 per cent of the cigarette business of the country. It has recently commenced buying tobacco in Wisconsin. It also uses Connecticut tobacco for wrappers. (317, 318, 329.)

The Continental Tobacco Company makes plug and smoking tobacco. It manufactures from 50 to 75 brands of plug tobacco, and does from 50 to 60 per cent, probably 60 per cent, of the plug-tobacco business of the country. (317, 318, 329.)

Mr. CAMPBELL, president of the United States Tobacco Company, an independent concern, says that this company manufactures all grades of smoking and chewing plug, cut plug, and granulated tobacco. The company sells throughout the United States so far as possible, but the most of its business is done in the New England States. It exports only to a slight extent. (305.)

B. Organization and capitalization of companies.—Mr. DUKE, president of the American and of the Continental Tobacco Company, says that the capitalization of the American Tobacco Company is $70,000,000, of which $14,000,000 is preferred stock and $56,000,000 common stock. Of the common stock, $54,500,000 has been issued. The original capitalization of the company was $25,000,000, which was increased to $35,000,000, and then to $70,000,000. Mr. Duke submits the annual report of the company for the year 1900, showing its assets and liabilities. Its net earnings for the year were $6,302,498.02. Of this amount, $1,120,000 was paid in dividends on preferred stock, $180,834.20 was paid in interest on scrip, $3,270,000 was paid in dividends on common stock, and the balance was passed to the surplus account. (317, 331, 332.)

Mr. Duke gives the capitalization of the Continental Tobacco Company as $100,000,000, of which $50,000,000 is preferred stock and $50,000,000 common. About $1,000,000 of each is still unissued. There are no relations between the American and the Continental Tobacco Company, except that the American owns quite a large amount of stock in the Continental company. The officers are all different, with the exception of the president. (317.)

Mr. Duke states that the Continental Tobacco Company owns 35 per cent and the American Tobacco Company 35 per cent of the stock of the American Cigar Company. The capitalization of this company is $10,000,000, general stock. (329.)

Mr. CAMPBELL says that in most cases the tobacco combinations make agreements with the persons selling out their business to the combination that they shall not go into the tobacco business for a certain number of years. Sometimes a consideration is given for this agreement when the plant is purchased. A great many of the men who sold out to the Continental Tobacco Company were given high offices for a time. (307.)

Mr. DUKE also says that the American Tobacco Company, in buying properties, usually buys the brand and the good will, and requires the vendors to agree not to go into the business again for 10 or 15 years, in some cases 20 years. (323.)

C. Economics of combination.—Mr. DUKE says that the main advantage of industrial combinations is found in the combination of talent. There are certain advantages in buying some supplies in large quantities, such as labels, etc. There is also an advantage in marketing goods. It is not necessary to keep so many salesmen in proportion to the business done. Advertising can be done to better advantage; business can be more concentrated, and the number of styles or brands can be reduced. It is not possible in the tobacco business to concentrate the manufacture of goods to any great extent through the closing of factories. (327, 328.)

Mr. CAMPBELL says that the different plants of the tobacco combinations are managed by employees, and are therefore not as economically managed as they would be if managed by owners. The combinations may have some advantages over the independent companies in freights, though they are not supposed to under the interstate commerce act. It is not possible in the tobacco business to ship goods from the plant situated nearest to the vendee, because all of one brand is made in one factory. The companies may be able to buy a few things more cheaply, but in buying raw material they have no advantage. On the other hand, they have very expensive offices and officers. In all probability the advertising of the Continental Tobacco Company costs as much as the aggregate advertising of the constituent companies cost, because of the fact that the Continental sells practically all the brands which were manufactured by the separate companies. Some saving is probably made through a reduction in the number of traveling salesmen; yet, so long as independent companies are continually springing up, the combinations have to keep salesmen in the field. (309, 310.)

D. Methods of competition.—1. *Exclusive contracts with dealers.*—Mr. CAMPBELL, president of the United States Tobacco Company, says that the Continental Tobacco Company has made arrangements, orally, with practically all the jobbers throughout New England to give them an extra discount on condition that they do not handle the goods of certain other manufacturers. At the beginning jobbers were allowed a profit of 2 cents a pound on tobacco, and an extra discount of 3 per cent was given to those jobbers who agreed not to handle tobacco made by new companies. Later the proposition was changed and jobbers were given a profit of but 1 cent a pound, while those who refused to handle independent goods got 5½ per cent extra discount. At this time the limitation was made that they should not handle goods manufactured by any company which had started since the Continental Tobacco Company was organized, and should not handle any new brands manufactured by any company other than the Continental Tobacco Company. No jobber can do business on 1 cent a pound, and therefore the making of these arrangements with jobbers by the Continental Tobacco Company made it practically impossible for the independent companies to do business in New England. The Continental Company sells about 80 per cent of all the tobacco sold in New England, and jobbers could not do business profitably without handling Continental goods. One firm, which had been handling the goods of the United States Tobacco Company, and which had expressed satisfaction with the goods, refused, a few days after it had received a visit from Mr. Kingsbury, treasurer of the Continental Tobacco Company, to continue to handle them. Many of the jobbers who have refused to handle the United States company's goods have said that they would be glad to handle them, but dared not do so, and Mr. Campbell's information concerning the proposition of the Continental Tobacco Company has come directly from these jobbers. A few jobbers have been altogether cut off from getting the Continental company's brands, because of their independence. The company has refused to sell them goods. (306, 307, 311, 314.)

At first the damage done the United States Tobacco Company through exclusive contracts made by the Continental company was quite serious. The United States company has been able to overcome the effect to a certain extent by hard work. It has not made the progress, however, which it would have made if there had been no such contracts. (312.)

The United States Tobacco Company has never offered any special inducements to jobbers on condition that they deal exclusively in goods of the United States Tobacco Company, and, so far as Mr. Campbell knows, no such contracts have been made by any of the independent companies. The United States company has one fixed price list, and is not afraid of competition. (317.)

Mr. LANDSTREET, vice-president of the United States Tobacco Company, presents an affidavit from Mr. Harry M. Chapman, of New Bedford, Mass., which states that the firm of which Mr. Chapman is a member was informed by a transportation agent of the Continental Tobacco Company and by a regular salesman of the same company that if the firm would agree to exclude from its stock and refuse to handle any goods made by any other manufacturer than the Continental Tobacco Company it

would be allowed a discount of 5 per cent from the prices which were thereafter to be fixed as the prices of tobacco to jobbers. Upon the refusal of the firm to enter into this agreement the Continental Tobacco Company refused to fill orders for goods, and the firm was informed that the company had concluded that it was not to its interest to maintain business relations with the firm. Other jobbers of tobacco in New Bedford who previously dealt in the goods of other tobacco manufacturers than the Continental do not now keep the goods of these manufacturers for sale. Mr. Landstreet presents an affidavit from Mr. Albini Sumner Hovey, of Lynn, Mass., which states that because of his refusal to exclude the goods of other tobacco manufacturers he had to pay an advanced price for the Continental Tobacco Company's goods, the price which he was obliged to pay being such that he could not sell the goods to retailers at a profit.

Mr. Landstreet also presents an affidavit from Mr. Charles H. Tilton, of Boston, which states that in April, 1900, H. D. Kingsbury, the treasurer, and C. C. Dula, third vice-president of the Continental Tobacco Company, visited the tobacco jobbers and wholesale grocers of New England and notified them that thereafter the jobbers could purchase the goods of the Continental Tobacco Company at a price upon which said tobacco jobbers and wholesale grocers could make 2 cents per pound; but that if they would agree to exclude from their stock all plug-tobacco goods of manufacturers who had begun business since the formation of the Continental company the Continental company would give them an extra discount of 3 per cent upon all purchases. The affidavit states that later the prices were changed so that a profit of but 1 cent a pound was allowed, and a discount of 5½ per cent was allowed to those dealers who excluded from their stock all plug-tobacco goods of new concerns, all new brands of old concerns, and all goods of certain designated old-established concerns. It is impossible for the tobacco jobbers to do business at a profit with an allowance of only 1 cent a pound. The largest retail tobacco dealers in New England were also visited by the officers of the Continental Tobacco Company and informed that if they would refuse to handle the goods of other manufacturers the Continental would put them on its "subjobbers list," which would entitle them to buy from the jobbers at a less price than their competitors by 2 cents a pound.

Mr. Landstreet also presents a copy of a circular, issued by the Continental Tobacco Company, offering a discount of 5½ per cent on purchases "under certain conditions" previously made, and says that the dealer to whom this circular was sent stated that the conditions referred to were that he should deal exclusively in the goods of the Continental Tobacco Company. Mr. Landstreet also presents a circular sent out by the Continental Tobacco Company, stating that it will decline to fill orders from any customer in the New England States, excepting Massachusetts, who sells or offers to sell, either directly or indirectly, any of the listed brands of tobacco manufactured by the company at less than the prices appearing in the jobbers' selling price list. Mr. Landstreet suggests that Massachusetts was excepted because a bill had passed the Massachusetts house of representatives which it was thought would prevent the Continental company from making agreements for the exclusion of the goods of other manufacturers as a condition of handling its own. Mr. Landstreet presents a list of dealers who have been cut off from dealing in the goods of the Continental Tobacco Company because of their handling the goods of other manufacturers. (332–338.)

Mr. Landstreet says that through the making of these contracts the independent manufacturers have been prevented from marketing their goods. It is claimed that the output of the American and Continental companies amounts to between 75 and 90 per cent of the output of the country. Mr. Landstreet does not believe, however, that they manufacture 75 per cent of the output, but they do manufacture enough to give them a practical monopoly of the business in certain localities. (339.)

In one locality every jobber excluded the goods of the independent manufacturers. The Continental Tobacco Company sells probably 80 per cent of the plug tobacco sold in New England, and it takes a man with a great deal of nerve to continue to handle the independent goods, though in most localities some one man is found who is determined to do so. Some of the dealers who entered into the exclusive contracts deal secretly in the goods of other companies. All the firms which deal in independent goods continue to deal in the goods of the Continental company, because it is impossible for a man to do a successful tobacco business without keeping some of the Continental brands. They buy the Continental brands secretly wherever they can. (338.)

Mr. Landstreet has never consulted the United States district attorney in reference to proceeding against the Continental Tobacco Company, because of the difficulty of securing sufficient evidence to establish a case. (338.)

Mr. Duke says that neither the American nor the Continental Tobacco Company offers special terms to dealers on condition that they handle the companies' goods

exclusively; nor has this been done by agents under authority of the companies. Price lists are sent to dealers, and it is stated on the bottom of the list that no agent has any right to change any conditions fixed by the price list. At one time the American Tobacco Company gave dealers a larger commission for handling its goods exclusively, but that policy was abandoned some years ago. The companies do not rely on the jobber to make the market for their goods; they rely on the demand of the consumer, and Mr. Duke does not know of a single jobber in New England who is not handling everybody's goods for which there is any demand. Exclusive contracts with dealers by their competitors would not prevent the companies from getting their goods distributed. If one dealer did not keep the brand called for by the consumer, the consumer would go to a dealer who did. The Continental Tobacco Company has endeavored to persuade dealers in New England to sell tobacco on a basis of 2 cents a pound profit. It did this at the solicitation of the jobbers. (321, 330.)

Mr. Lee, treasurer of the American Tobacco Company, denies any knowledge of the issuance of any circular letter to dealers on the part of the American Tobacco Company, offering them special terms on condition that they handle only its goods. The jobbing house of which Mr. Lee is president has perhaps as many independent goods as it has goods of the American and Continental tobacco companies and has never been asked to make exclusive contracts. (340, 341.)

Mr. Lee says that at one time the American Tobacco Company gave a rebate to jobbers if certain fixed prices were maintained. This system had been followed by some of the separate companies which were absorbed by the American Tobacco Company. The jobbers are very favorable to this system. It seems to be the only way that a profit can be maintained on staple goods, such as sugar, tobacco, coffee, etc. On staple articles competition is strong, and there is a universal demand from the jobbers for the large manufacturers to protect them in a reasonable profit. The large manufacturer probably gains when he protects the jobber, but if he paid no attention to the question of the jobber's profit he would have no trouble in marketing his goods. The jobber has in a measure helped to build up the trade, and as a rule manufacturers try to work in harmony with him and to maintain a profit for him. In some States the jobbers are maintaining a very good organization of their own, and are maintaining a profit on staple articles independently of any action on the part of the manufacturers. (341, 342.)

2. *Local price cutting—brands.*—Mr. Landstreet says that the price of one brand of cigarettes made by the American Tobacco Company has been reduced to $1.50 per 1,000 in North Carolina and Virginia, while the same brand of cigarettes is sold in the State of New York at a much higher price. Some of the dealers in New York have bought cigarettes of this brand in Virginia and shipped them to New York. The price in New York ranges from $1.65 to $2.50. At Wilson, N. C., there is an independent cigarette company, The Wells-Whitehead Company, which manufactures the Carolina Bright Cigarette. This company claims that the American Tobacco Company has cut cigarette prices because of its competition. The price of $1.50 per 1,000, with a 2 per cent discount off, is 3 cents less than the Government tax. (337.)

Mr. Duke says that, at times, in order to introduce certain brands, prices have been cut very low. That is only one method of introducing a brand, used instead of spending money for advertisements in newspapers and for bill posters. A cheap price is made, and dealers are left to do the advertising and work up the market for themselves. Battle Ax plug was at one time sold for 13 cents a pound, under a 6-cent tax. American Beauty cigarettes are selling in North Carolina for $1.50 per thousand, with 2 per cent off for cash, although the revenue tax per thousand is $1.50. Since the increase of the revenue tax from 50 cents to $1.50 per thousand the cigarette business has shrunk nearly two-fifths, and the company is making a test to see whether a price which will permit the selling of 20 cigarettes for 5 cents at retail will bring back the business. With a 54-cent tax the company could sell cigarettes at $2 a thousand, or even less, and make a profit. (319, 328.)

Mr. Duke adds that in the tobacco trade it is not a matter of competition with somebody else. Goods are sold and demanded by the public by brands. The consumer does not ask for tobacco; he asks for a particular brand. Whoever makes the brand best liked by the consumer will get the business. The selling of one particular brand of cigarettes, for instance, at no profit by the company would not prevent the independent operator from getting his brand on the market. The company would have to sell all the brands at no profit in order to do that. (320, 326.)

Mr. Campbell also says that in the tobacco business the brand itself is a valuable asset. When a brand becomes known and the consumer becomes acquainted with it he calls upon the dealer for it, and a brand with an established reputation increases sales materially. (307.)

E. Effect of combination on the tobacco grower.—Mr. Campbell says that in Virginia and North Carolina the tobacco is sold mostly on the warehouse floor at auction. The planter brings his tobacco by wagon to the warehouse. It is put out in piles on the floor and sold to the highest bidder. (305)

Besides the independent companies which manufacture tobacco, there are leaf-tobacco dealers who sell to independent factories, and exporters of leaf tobacco, who are buying tobacco in competition with the American and Continental Tobacco companies. Formerly leaf dealers bought for the Japanese market, but now the American Tobacco Company controls the purchase of tobacco for Japan. This has had the effect of materially cutting down the prices of the grades of tobacco that are exported to Japan. Purchasers for the British market procure their supplies in North and South Carolina, Virginia, and Kentucky, but neither the purchasers for the British market nor the purchasers for European governments are competitors to any great extent of the American Tobacco Company, because they buy different grades. The foreign buyers buy mostly dark tobacco, while the American Tobacco Company buys only bright tobacco. (312, 313.)

Mr. Campbell asserts that the formation of the American Tobacco Company compelled the farmers of Virginia and the Carolinas to be content with greatly reduced prices, especially upon cutters. For that grade the farmer does not now realize more than half the price he received when the several companies composing the American Tobacco Company were competing with each other on the warehouse floors. Almost the only competition now is from exporters, and that amounts to practically nothing. Numerous leaf dealers have been driven out of business both in Virginia and in North Carolina because the companies for whom they bought or to whom they sold have gone into the combination. A large proportion of the tobacco used by the Continental company is burley tobacco. The low grades have continued at good prices, but the prices of the finer grades have been very much reduced. Last year the acreage in North and South Carolina was unquestionably reduced 30 to 40 per cent; but even with that short crop prices did not go high. Had there been no American or Continental Tobacco Company, the farmers would have received twice the price they did receive. Bright wrappers, that in 1894 were selling on the warehouse floor at from $60 to $75 per hundred pounds, have sold at from $30 to $40 per hundred pounds. The independent companies can buy leaf tobacco at as low prices as the Continental or the American Tobacco Company so long as the present system of selling tobacco at auction continues. No one company can control the price of the raw material exclusively for its own benefit. (308, 313.)

Mr. Duke thinks his companies are at a disadvantage in buying raw materials, because of the large amount which they have to buy. The small manufacturer can pick up bargains. It is not to the interest of the manufacturer to put the price of tobacco down to a point where the farmer can not make money, because if that is done the farmer will grow poorer tobacco. There is no object in beating down the farmer, because the companies can get a profit without that. If there were not a single competitor in the field they would still pay a good price for tobacco. (326, 327.)

Mr. Duke adds that tobacco growing in this country has increased during the last 10 years in eastern North Carolina and South Carolina, and that in some parts of Tennessee, where previously they did not grow tobacco at all, there are now large growers. The increase has come largely through the manufacture of cigarettes, although the trade in cigarettes has been cut nearly in half during the last 3 years on account of the increase in the tax. The consumption of cigarettes, however, has not decreased, because everybody has a package of paper and a package of tobacco and makes his own cigarettes. (326,)

F. Labor organizations in the tobacco trade.—Mr. Duke says that the American and Continental tobacco companies do not care whether or not their employees join a union, and pay no attention to the matter. The companies have never discriminated against union labor. They have no objection to organization, though they do not propose to have their employees lay down rules for the government of the factories. Rules for running their own affairs are all right. The employees are entitled to have something to say in regard to wages and hours of work. The companies have never refused to confer with any employees that came to them for conference. (323, 324.)

Mr. Campbell says that the relations between the United States Tobacco Company and its employees are pleasant. The employees belong to the International Tobacco Workers' Union. The advisory board of the union in each section fixes a schedule of wages, which schedule is confirmed by the international board. This schedule is then offered to the company and the company agrees to it. Ten hours are a working day, though the company can employ men overtime by paying extra. The wages paid range from $3 to $12 per week. About two-thirds of the employees are men. (315.)

G. Prices.—1. *Effect of combination.*—Mr. CAMPBELL says that the formation of the Continental Tobacco Company has not affected the prices of plug tobacco to the consumer. The prices on it to the dealer have been different in different sections of the country. (307, 312.)

Through the plan adopted by the Continental Tobacco Company of giving 2 cents a pound to jobbers and a special discount to those who would refuse to handle outside goods, the company has maintained a limited price in New England. (310.)

Mr. DUKE says that the prices of cigarettes are about the same as when the American Tobacco Company was organized, notwithstanding the fact that the revenue tax per thousand has been increased from 50 cents to $1.50. (318, 325.)

2. *Effect of taxation.*—Mr. DUKE states that the Star brand of plug tobacco, which was sold for 50 cents a pound by Leggett & Myers, under a 6-cent tax, is now being sold at the same price under a 12-cent tax. The company is making a little less profit, the dealer is making less, and the farmer is getting less for his tobacco, because the 6 cents could not come off any one of the three. Prices for the same brand are uniform in all sections of the country, with allowances for difference in freight. (318, 325.)

Mr. CAMPBELL says that the increase of the revenue tax on tobacco at the beginning of the Spanish war advanced the price of tobacco to the consumers. Formerly a consumer got 2 ounces of tobacco for 5 cents. After the tax was changed the consumer got only $1\frac{2}{3}$ ounces for 5 cents. On some brands the consumer was made to pay the entire additional tax; on others this was not the case. The reduction of the tax on July 1 by 20 per cent will work to the advantage of the manufacturers and the dealer. Prices to the consumer will remain the same. (309.)

H. Cigarettes.—Mr. DUKE says that cigarettes are less injurious than cigars, because purer and better tobacco is used in them. Opium is not used in any form in manufacturing tobacco by his companies. The peculiar odor of the cigarette is due partly to the paper and partly to the fact that bright tobacco, which possesses little substance, is used. (326.)

Adverse legislation has, in some instances, reduced the number of cigarettes consumed, but it has not affected the consumption very much. There has been a decrease of sales, but this has been due to the increase of the revenue tax from 50 cents to $1.50 per 1,000. The decrease of sales, however, has not meant a decrease of consumption; for now the consumer buys the paper and the tobacco and manufactures his own cigarettes. (320, 326.)

Mr. Duke says cigarettes are mostly made by machinery, and that the same machines are used in foreign countries as here. The patents have run out, and anybody who cares to may use them. (325.)

I. Foreign trade in tobacco.—Mr. DUKE says that the American Tobacco Company has established four factories in Australia, shipping all the leaf tobacco from this country. Factories have also been established in Canada. In Japan the company consolidated with a Japanese concern. A company was organized there; the American company sold its business to the new company for one-half the stock and the Japanese concern sold its business for one-half the stock. Afterwards the Japanese company sold 10 per cent of the stock to the American company. The American company also sells goods in China and in India, though no factories are established there. It is opening up business in all European countries, except where excluded because the business is under government control. In Japan the Government controls the trade in leaf tobacco, and the factories there have to buy the leaf from the Government. The leaf is bought in North Carolina by the agents of the Japanese Government. The company sells over a billion cigarettes a year in foreign markets, besides those that are made in the factories abroad. The factories controlled by the American company in Japan make about 8,000,000 a day; in Australia the output of the company's factories is about 200,000,000 a year, and in Canada it is something over 100,000,000 a year. The only way of getting into the English market is to establish factories there, because of the discrimination against manufactured tobacco. The chief competitors of the American Tobacco Company in the cigarette business abroad are in England. They buy tobacco in North Carolina and Virginia and ship it to England, manufacture cigarettes, and then compete in all the foreign markets. This is true of tobacco as well as of cigarettes. There is some competition from Japan, and there is a certain demand for Egyptian cigarettes all over the world.

The Continental company does not sell much abroad, for the reason that plug tobacco is used only in this country. The extension of the foreign trade has materially increased the demand for the leaf tobacco of the South, and the operations of the American Tobacco Company have made a large market for North Carolina and Virginia tobacco. All the trade which has been built up in Japan, and which amounts

to nearly 10,000,000 pounds a year, has come from the efforts of the American Tobacco Company. The company has exported some leaf tobacco to the Japanese Government. The purchase of American tobacco by foreign Governments has had practically no effect on the American price. The poorer grades of Ohio tobacco are also exported. (320, 322, 326, 327, 329.)

Mr. Duke declares that for the same quality of goods the tobacco companies get a higher price abroad than at home, considering the tax that is paid here. On a limited number of cigarettes which are made cheaply, the export price has been made lower than the domestic price in order to get into the foreign market. (325.)

J. Tariff.—Mr. DUKE says that the difference of wages between this country and others is such that, if the tariff were removed, the tobacco companies could ship the tobacco to foreign countries, manufacture their cigarettes there, and ship them back to this country cheaper than they could manufacture them here. The companies will make their goods wherever they can make them most cheaply. If the tariff were removed and they could manufacture more cheaply in some other country and send the goods into the United States they would do so. The reduction of the tariff could be met by the manufacturer, but would prove injurious to the workman and to the producers of raw material. If there were free trade in leaf tobacco cigar material would be nearly all imported. (325, 328,329.)

Mr. CAMPBELL says that tobacco from Cuba would not come into competition with the tobacco grown in Virginia and North Carolina, as it is a different kind of tobacco, but it would probably come into competition with Connecticut tobacco. (313.)

VIII. AMERICAN THREAD COMPANY.

A. Description of business.—Mr. HOPKINS, president of the American Thread Company, says that the American Thread Company was organized to unite the businesses of the following manufacturers of spool, crochet, knitting, mending, and other cottons, and in some cases the allied businesses of cotton spinning, doubling, twisting, dyeing, bleaching, polishing, and spool making.

Barstow Thread Company, Providence, R. I., including good will and trade-marks of Alex. King & Co.
Glasco Yarn Mills Company, Glasco, Conn.
Glasco Thread Company, Worcester, Mass.
Hadley Company, Holyoke, Mass.
The Kerr Thread Company, Fall River, Mass.
J. O. King & Co., New York City.
Marrick Thread Company, Holyoke, Mass.
National Thread Company, Mansfield, Conn.
Morse and Kaley Manufacturing Company, Milford, N. H.
E. J. W. Morse Company, Boston, Mass.
The Roddy Thread Company, Worcester, Mass.
The Warren Thread Company, Ashland, Mass.
The William Clark Company, Westerly, R. I.
The Willimantic Linen Company, Willimantic, Conn.

In addition to cotton threads the company manufactures also cotton yarns. Its output of sewing thread is probably a little less than one-third of the output of the country. (343, 348.)

B. Organization.—Mr. HOPKINS says that the first step toward the organization of the American Thread Company was the securing of options upon the different properties which were afterwards taken over. When operations reached a point where the consolidation could be carried through, the options were taken up and paid for. A good many of the companies that sold out to the American Thread Company took their pay half in money and half in bonds. Some took all money and some took more bonds than cash. (353.)

The prospectus, a copy of which is submitted by Mr. Hopkins, states that the options of the various properties taken over by the American Thread Company were obtained by Mr. John R. Dos Passos, of New York, and that he resold to the company at a profit, out of which he would pay all the expenses of and incidental to the formation of the company. (363.)

C. Capitalization.—Mr. HOPKINS says that the capitalization of the American Thread Company is $12,000,000, being $6,000,000 5 per cent cumulative preferred stock and $6,000,000 common stock; of which there has been issued $4,890,475 of preferred stock and $4,200,000 of common stock. There have also been issued bonds to the amount of $5,798,000, an issue of $6,000,000 having been authorized.

The aggregate of the preferred stock and bonds represents about the value of the tangible assets of the company; lands, buildings, machinery, stocks in trade, etc. Common stock was fixed at an amount which it was thought would make a fair business. The total capitalization of the company, taking into consideration bonds, as well as preferred and common stock, is larger than the total capitalization of the companies which went into the combination. Mr. Hopkins submits the company's balance sheet of September 30, 1899, showing the assets and liabilities of the company at that date. (343, 344, 355, 358.)

The capital for the purchase of the several concerns was furnished by the English Sewing Cotton Company, and that company owns a majority of the preferred and of the common stock of the American Thread Company. J. & P. Coats took $500,000 of the preferred stock. Three of the directors of the English Sewing Cotton Company are directors in the American Thread Company. These 3 directors do not live in this country. (353.)

Mr. Hopkins understands that J. &. P. Coats own about $500,000 of the stock of the English Sewing Cotton Company. The stock of that company is largely distributed and is not held in bulk by anyone. (354.)

D. Earnings.—Mr. HOPKINS says that for the first year the American Thread Company, besides paying the dividends on its preferred stock, and the interest on its bonds, paid a 10 per cent dividend on the common stock. A part of this profit was due to the fact that a large amount of cotton was bought before the rise in price. Before the American Thread Company was formed the Merrick Company paid average dividends of 10 per cent on the capital invested. (358.)

E. Reasons for combination.—Mr. HOPKINS says that one of the chief reasons for forming the American Thread Company was the desire to avoid ruinous competition. There was quite a rivalry between the different companies, and some were cutting prices in all kinds of ways to get the trade. In consequence there was a very low profit, if any at all, in the business. Another reason was the fact that, by putting the different concerns under one management, an immense amount could be saved both in the disposal of the product and in the cost of manufacture. (346.)

F. Competition.—Mr. HOPKINS says that there is still plenty of competition in the thread industry, and that the lowering of the price of some grades of thread immediately after the formation of the American Thread Company was due to outside competition. The chief competitors of the American Thread Company are the Coats Company, the Gardener-Hall Company, and the Wachusetts Company, and a company run by Isaac Einhorn. The aggregate output of the American Thread Company and the Coats Company is two-thirds of the thread output of the country. The Coats Company includes the Clarke Company. It is a foreign corporation controlled by British capitalists. Although the Coats Company owns stock in the American Thread Company there is competition between the two, and there is no agreement in respect to prices, and no division of territory. It is not possible for a monopoly of the cotton-thread industry to be established in this country. A man with a capital of $10,000 can go into the business. There are very few patents. There is practically no importation of foreign thread. The foreign thread companies have established factories in this country. Previous to the establishment of these factories foreign thread was imported. (348, 350, 356.)

G. Economies of combination.—Mr. HOPKINS says that through the organization of the American Thread Company there has been a saving by centralization of management and of manufacture. Before the organization the different concerns had different offices and stores in various cities all over the country. They had employees in all their offices, and each concern had traveling salesmen. By organization all of the offices in each city were united, and in that way a tremendous saving was made in rents and in the expenses of bookkeeping. A saving has been made also through a reduction in the number of traveling salesmen. The new company employs only about two-thirds of the number employed by the separate concerns. An immense saving in advertising has been made. The company now does little advertising. Previous to the organization free spool cabinets were furnished by the different concerns to customers who bought 100 dozen of thread. Now these cabinets are charged for. A saving has also been made through reduction of the stocks carried. Formerly each concern had to carry 100 different colors, kinds, and numbers. The stock of each mill has been reduced almost one-half. Again, each mill makes a specialty, and that reduces the cost of manufacturing, by having the machinery in any one establishment running all the time along one line. A saving has also been made in the buying of supplies. Buying in larger quantities gives an advantage. All the cotton supplies are bought through one office and shipped to the different plants as wanted. There is one man appointed specially as buyer. He keeps

better posted and probably gets better prices than would have been obtainable on the old basis. The saving in buying is at least 5 per cent. (346, 347.)

The producing capacity of the American Thread Company is just about the same as that of the separate concerns was. Two or 3 small concerns located in out-of-the-way places were closed down, but some of the machinery was sent to Willimantic and some of it to Holyoke. (347.)

H. Effect on prices.—Mr. HOPKINS says that after the formation of the American Thread Company the prices of some of the brands were lowered, and none of the prices were raised until the price of raw materials went up. The finished product was increased in price by about the amount of difference in the cost of raw materials. The change in price was made in December, 1899, the average increase being about 10 per cent. Since that time some of the prices have been reduced. The price of cotton yarn was put up also when the price of cotton went up. Mr. Hopkins submits a copy of the circular sent out by the American Thread Company in December, 1899, announcing the change in prices. (348, 352, 357.)

I. Improvement in quality.—Mr. HOPKINS says that, although the price of thread has remained stationary, the thread is of better quality. The same grade of thread which was formerly bought for 5 cents per spool can be bought to-day for 3 cents per spool. (359.)

J. Effect on retailers.—Mr. HOPKINS says that selling arrangements have been somewhat simplified by reason of the combination, in that retailers have concentrated more on the brands of thread that are best known, although all the different brands are put out now just as they were under the old companies. Each brand, however, to a certain extent localizes itself. (359.)

K. Relations with employees.—Mr. HOPKINS says that the American Thread Company has never had any trouble from strikes. The effort at all times has been to keep in harmonious relations with employees, pay them a fair price, and see to it that it is to their interest to serve faithfully. The company pays its workmen weekly in cash. At Holyoke, Mass., the company has factory tenements sufficient to accommodate about one-eighth of the persons employed there. At Willimantic, Conn., it has tenements for about one-half the labor employed there. These tenements were built in 1865, and were built because at that time it was impossible for the employees to get tenements. The houses have been kept in repair and supplied with all modern improvements. The company makes no profit out of its rents and would be glad to sell the tenements. At Holyoke, for a tenement with 6 or 8 rooms, the rent is $5 a month, with free fuel. (345, 349, 350.)

L. Nationality of employees.—Mr. HOPKINS says that from one-fourth to one-third of the employees of the American Thread Company are French Canadians; the others are mostly native-born Americans. (350.)

M. Home ownership by employees.—Mr. HOPKINS says that nearly all of the overseers and superintendents and a great many of the dresser tenders own their own houses. The so-called common laborers do not get enough wages to build houses, though some of those who work by the day own their own houses and many of them have money in the bank. (350.)

N. Wages.—Mr. HOPKINS says that the wages of the women who work by the day range from $1 to $1.50; the wages of the men from $1.50 to $2.50. The women who do piecework make from $1.25 to $1.75 a day. There are not many men who work by the piece. Men and women do not do the same kind of work. Since the formation of the company the wages of the pieceworkers have not varied much, but there has been some increase in the pay of dresser tenders, overseers, and superintendents. The company has always paid a definite rate of wages and has not adopted a sliding scale or tried cooperation, premium payments, profit sharing, or anything of that kind. The rate of wages in the thread industry has advanced gradually but constantly during the past 50 years. (345, 346, 349.)

O. Hours of labor.—In Massachusetts the employees of the company work 58 hours a week; elsewhere 60 hours a week. The company does not employ Sunday labor. The employees work on an average nearly 300 days in a year. The matter of the number of hours which shall constitute a working day should be permitted to regulate itself. (345, 346.)

P. Tariff.—Mr. HOPKINS says that the removal of the tariff on thread would practically drive the thread manufacturing business out of this country. Thread would then be made in England and sent here, the reason for this being that labor

there gets just one-half what it does here, and the raw material is just as cheap. American manufacturers could not compete at all. This would not be true to as great an extent of cotton yarn as of cotton thread, because not nearly so much labor proportionately goes into yarn as into thread. The American laborer in the thread mills is more efficient than the English laborer. For certain parts of the work payment is made by the piece, however, and in such cases the English manufacturer pays only one-half as much as the American manufacturer.

Mr. Hopkins considers that the present tariff of 6 cents on every 1,200 yards, which is equal to an ad valorem tariff of between 40 and 50 per cent, is just about equal to the difference in the cost of production in this country and in England, and places the American manufacturer and the foreign manufacturer about on a level. He says elsewhere, however, that about one-half the cost of production of thread is labor cost. In the case of the production of yarn the labor cost is from one-fourth to one-half of the total. (349–352.)

Q. Export trade.—Mr. Hopkins says that there is no export trade of consequence in thread. Thread could not be exported in competition with foreign manufacturers, except in the case of some quality which is not manufactured abroad. The retail price of a 200-yard 6-cord spool of thread is 4 cents in London and 5 cents in New York. (352.)

IX. THE BAKING POWDER COMBINATION.

A. Organization, capitalization, and extent of control.—Mr. Morris, treasurer of the Royal Baking Powder Company, submits a copy of the certificate of incorporation of the Royal Baking Powder Company, and a copy of the by-laws. (397–404.)

Mr. Morris says that the capitalization of the Royal Baking Powder Company is $20,000,000, of which $10,000,000 is 6 per cent preferred stock, and $10,000,000 is common stock. The preferred stock is on the market, but the common stock is held entirely by the people who were originally interested in the company, except that possibly about 9 per cent of it has been given to their friends. There has been no general sale of it to the public. The entire capitalization of the companies which united to form the Royal Baking Powder Company was very much smaller than its capitalization. Those companies were family concerns, and the value of the business of each was much greater than the amount of the capital stock. The basis of a capitalization is practically the earning power of a company, and therefore any amount on which the business is able to pay a fair profit is a fair capitalization. The names of the various brands of baking powder manufactured by the company are in themselves valuable assets, and form a proper basis for capitalization. It has taken over 40 years to build up the trade-marks. (387, 388, 396.)

If the interest on the preferred stock is in default 4 months, $50,000 of the preferred stock can call a meeting, elect directors, and take charge of the business. After the preferred stockholders have taken charge of the business the voting power theretofore vested exclusively in the common stock is to vest and remain in the holders of the preferred stock until all arrearages of dividends on the preferred stock shall have been paid or accumulated. One month after the payment of the defaulted dividends upon the preferred stock, or the accumulation of net earnings equal to said defaulted dividends, the voting power then vested exclusively in the preferred stock shall cease, and such exclusive voting power shall be restored to the holders of common stock.

No mortgage can be created or assumed by the company, and the preferred stock can not be increased, nor the company merged into or consolidated with any other company, nor a mortgage placed on the properties of any of the companies which united to form the Royal Baking Powder Company, without the consent in writing of the holders of 75 per cent of the preferred stock outstanding, in case the company is at the time managed by the common stock. In case the company is at the time managed by the preferred stock, the consent of the holders of 75 per cent of the common stock outstanding must be secured in like case. (388, 398, 403.)

The company has paid dividends regularly on the preferred stock at the rate of 6 per cent per annum. Mr. Morris prefers not to say whether or not dividends have been paid on the common stock. The public were not asked to take any of that stock. (388.)

Mr. Morris says that his company probably produces a little more than one-half of the cream of tartar baking powder manufactured in the country. The companies which came together to make up the present company were the Royal Baking Powder Company, the Cleveland Baking Powder Company, the Price Baking Powder Company, the Tartar Chemical Company, and the New York Tartar Company.

Before the consolidation these companies had been competitors. The company manufactures three brands of cream of tartar baking powder, the Cleveland, the Price, and the Royal. There are probably from 15 to 20 different brands of cream of tartar baking powder manufactured in this country, the brands other than the three manufactured by the Royal company being the product of distinct and separate concerns. The Royal Baking Powder Company has no agreement with these companies in respect to prices, or anything of that kind. (387.)

Mr. MORRISON, secretary and treasurer of the American Baking Powder Association, says that the capitalization of the Royal Baking Powder Company is $20,000,000, of which $10,000,000 is preferred stock, and $10,000,000 common stock. The public was given an opportunity to buy preferred stock, but the common stock is reputed to be very largely held by Mr. Ziegler, who formed the combination. The companies taken into the combination were the Royal Baking Powder Company, capital, $160,000; the Price Baking Powder Company, capital, $500,000; the New York Tartar Company, capital, $80,000; the Tartar Chemical Company, capital, $100,000, and the Cleveland Baking Powder Company, capital, $100,000; so that the total capital of the companies which combined to form the new corporation was $940,000. (366.)

Mr. Morrison asserts that in spite of the attacks made upon it the sales of alum baking powder to-day are approximately 100,000,000 pounds per annum, while the sales of Royal baking powder probably do not exceed 13,000,000 to 15,000,000 pounds at the outside, and are not increasing. There are three or four very large manufacturers of alum and alum-phosphate baking powders. One is the Southern Manufacturing Company, of Richmond. It is probable that that company sells as much baking powder as the Royal company. (382.)

B. American Baking Powder Association.—Mr. MORRISON, secretary and treasurer of the American Baking Powder Association, says that this is an organization composed of manufacturers of baking powders in the production of which exsiccated alum is used. The association has 64 actual members, and there are some 524 manufacturers of alum baking powder who contribute directly or indirectly to it. The association represents the total alum baking powder interest. It takes no interest whatever in the business affairs of its members, and has no control over their product, sales, or prices. Its chief occupation and duty is to defend its members against the hostile attacks—outside of business competition—which are made by the Royal Baking Powder Company. (364, 365.)

Mr. Morrison submits a copy of the constitution and by-laws of the association. (384, 385.)

Mr. KELLEY, president of the National Health Society, submits a copy of the blank used in making application for membership in the American Baking Powder Association. (709, 710.)

C. History of the baking-powder industry.—Mr. MORRISON says that formerly the usual method of leavening bread was through the use of yeast. Later it was discovered that a combination of cream of tartar and soda would throw off carbonic acid gas the same as yeast, and about 1867 cream of tartar baking powder was produced. It originated in the drug store and grew from the mixing of cream of tartar and soda in bulk. About 25 years ago it was found that exsiccated alum was an acid ingredient of double the strength of cream of tartar and considerably less expensive. Therefore alum baking powder began to be manufactured. (365.)

D. Materials of baking powders.—1. *Nature and effects.*—Mr. MORRISON says that cream of tartar baking powder is made of cream of tartar, bicarbonate of soda, and starch. Alum baking powder is made of exsiccated alum and an equal amount of bicarbonate of soda and starch. The same effect is produced by the two kinds of baking powder, except that, as a liberator of gas, alum is twice as strong as cream of tartar. When the chemical reaction produced by the mixing of the baking powder in the dough has progressed to its completion, a residuum is left in the food. In the case of cream of tartar that residuum is rochelle salts. In the case of alum the residuum is sulphate of soda and hydrate of alumina; there is no alum left in the food. (365.)

Ammonia is no longer used in the manufacture of baking powders, though it was formerly used by the Royal Baking Powder Company. (380.)

The Rumford powder is a pure phosphate powder. It is made of granular phosphate, which is a peculiar kind of phosphate, covered by a patent. It differs from other powders containing phosphate in the fact that the granular character of the phosphate prevents reaction between the phosphate and the bicarbonate of soda. (379.)

Mr. Morrison admits that in one or two instances white earth has been used in the manufacture of alum baking powder. Upon discovery of this fact the American

Baking Powder Association immediately passed resolutions condemning the practice and declaring that anyone using deleterious substances in alum baking powders is not worthy of membership in the association. Mr. Morrison submits a copy of these resolutions. (380.)

2. *Sources.*—Mr. MORRISON says that cream of tartar is made of wine lees, known as argol. Originally Italy produced the largest quantity that came to this country. France came next in quantity of production; Spain next. The importations of argol for the last 2 years would average 22,000,000 pounds; the home production does not exceed half a million pounds. The supply of argol is limited by the production of wine, because argol is a by-product. The total production of argol in the world is about 44,000,000 pounds. (365, 366.)

Mr. MORRIS says that cream of tartar is imported from Europe. The European output is about 70,000,000 pounds a year, and about 40 per cent of that is imported into this country. Not all the importations, however, go into baking powder. The Royal Company sells cream of tartar to its competitors, and perhaps 35 per cent of the cream of tartar made by the Tartar Chemical Company is sold to concerns, outside of the Royal Company, which manufacture cream of tartar baking powder. (396.)

Mr. MORRISON says that alum comes from bauxite, a species of white earth that is found in various parts of this country, and also from a substance known as cryolite. A modest quantity comes from Greenland, and it is all manufactured in this country. (366.)

E. Prices and profits of manufacture.—Mr. MORRIS says that sometimes the retail price of Royal baking powder is cut to 28 cents, while at other times it is sold for 50 or 60 cents per pound. Alum baking powder sells all the way from 5 to 50 cents a pound. Some of the alum baking powder manufacturers also sell on the prize system. The bulk of the alum baking powder is sold at 25 cents a pound. (388, 389.)

Mr. MORRISON says that although the price of cream of tartar has constantly decreased from 1882 to the present time, the price of Royal baking powder has remained the same. The Price Baking Powder Company, previous to its consolidation with the Royal Baking Powder Company, sold its powder for \$5 for 2 dozen pounds; immediately after the combination was formed the price was raised to \$7.25 for 2 dozen pounds. Alum baking powder has been selling at a constantly decreasing price, until to-day over half the alum baking powder is sold at 10 cents a pound, and the profit on the whole probably does not average over half a cent a pound. The alum-phosphate baking powder (which is a combination of alum, phosphate, and bicarbonate of soda) is sold from 20 cents down to 10 cents per pound. Mr. Morrison submits a price list of the Royal Baking Powder Company issued in 1882; also a circular sent out by Price's Cream Baking Powder Company previous to its absorption by the Royal Baking Powder Company. (372, 373, 382.)

Mr. Morrison states that Mr. Ziegler, of the Royal Baking Powder Company, testified in 1888, in a suit, that the profits of the Royal Baking Powder Company at that time (the old company) were \$724,000 on a business of \$2,400,000, after paying \$86,000 in salaries to three men, and with an advertising expenditure of probably \$500,000. The cost of manufacturing Royal baking powder does not exceed 12 cents per pound. The price per pound wholesale is 38¾ cents, the profit being 26¾ cents. If the company sells 12,000,000 pounds per annum, the gross profit is upward of \$3,000,000. Out of that salaries, advertising, and legislative expenses must be paid, as well as dividends. Mr. Morrison submits a copy of an extract from the Market Journal of June 2, 1888, giving an account of the testimony in respect to the profits of the Royal Baking Powder Company. (374, 375.)

F. Wholesomeness of alum baking powder.—Mr. MORRIS says the cream of tartar baking powder manufacturers have always regarded cream of tartar as a better acid for baking powder than alum. There is nothing to prevent them from going into the alum business if they want to, but they do not desire to do so. Taking it all around, the Royal Baking Powder Company maintains the standard of its baking powders better than the alum baking powder manufacturers, because it compounds them very much more carefully. The Royal Company claims that alum baking powders are detrimental to the health of the consumers; that alum remains in the bread and biscuit after they are baked. The chemists claim that after the bread goes into the stomach the hydrochloric acid of the stomach restores the alum to its original state in the stomach. The great mass of chemical testimony is against alum baking powders. (387, 389, 390.)

According to Mr. Morris, the value of the materials of alum baking powders is about one-sixth the value of the materials of cream of tartar baking powders. He

claims that the fact that the material used in the cream of tartar baking powder is more expensive is evidence that it is better, because if it were not better the company would not pay the money for it. (396.)

Mr. KELLEY, president of the National Health Society, says that as far back as 1879 efforts were made by the advocates of pure-food legislation to discourage the use of alum in baking powders. The Massachusetts State Board of Health in 3 separate reports, in 1883, 1884, and 1888, has reported against the use of alum in baking powders. Several years before the organization of the Royal Baking Powder Company the Department of Agriculture, at Washington, made an investigation into the use of alum baking powders, and as a result of that investigation bidders for supply contracts for any department of the United States Government were warned against submitting any bids that included food stuffs in which alum was an ingredient, as no such bids would be considered. Mr. Morrison states that no question has ever been raised as to the wholesomeness of hydrate of aluminum, which, he admits, is left as a residuum in bread which is raised with alum baking powder, but, in The Law and Chemistry of Foods and Drugs, by Robinson and Cribbs, a series of experiments are cited showing that biscuits containing alum baking powder had an injurious effect when fed to dogs. Sixty-six chemists testified before the United States Senate committee that the use of alum in food is harmful. Senator Mason, chairman of that committee, states that the only fees received by these witnesses were the statutory per diem allowances for mileage. Mr. Kelley quotes from several of these chemists, and also submits copies of letters written by a number of physicians in Missouri stating that the use of alum baking powder is injurious. (698–703.)

Mr. MORRISON also says that cream of tartar is a more expensive agent than alum, and he adds that it takes twice as much of cream of tartar as of alum to liberate the gas from bicarbonate of soda. Alum baking powder, therefore, is cheaper than cream of tartar baking powder, and has double the strength. The Royal Baking Powder Company found that the price of alum baking powder was being so radically reduced that it presented a competition which they could not meet commercially. They had so reviled alum and so stamped into the public mind the impression that it was harmful that they could not change and manufacture alum baking powder. If alum baking powder is proved wholesome to the satisfaction of the public, there is no logical reason why the Royal Baking Powder Company should not be eliminated from the field within a reasonable time. (372, 373.)

Mr. Morrison declares that the chemical testimony which had been given up to the time of the organization of the American Baking Powder Association was, as a rule, testimony against the use of alum in food, not against the use of food prepared with alum baking powder. The alum baking powder manufacturers have conducted physiological experiments and have found that alum baking powder leaves no residuum; that it has no effect on the system, and is therefore harmless. The opponents of alum baking powder have not presented a single case of malnutrition or physiological disorder from alum goods. The testimony given against alum baking powder in the test case in Missouri and that given before the Senate pure-food committee was given by persons in the pay of the Royal Baking Powder Company. Every physician in Richmond has signed a paper stating that he never came across a case of functional disease which he could trace to the use of alum baking powder. Mr. Morrison presents a copy of a paper signed by physicians, stating that they have never found a case of disease or death which was due to the use of alum baking powder. (379, 383.)

G. Methods of competition.—1. *Advertising.*—Mr. MORRISON says that the Royal Baking Powder Company contracts with newspapers to publish articles, attacking alum baking powder, as pure reading matter. It has also contracted that these articles shall not, at the date of publication or afterwards, be designated, by any article or advertisement in the paper in which they appear, as advertisements, or as paid for, or as emanating from the Royal Baking Powder Company. It is impossible, therefore, for the manufacturers of alum baking powder to reply to them. These advertisements are published in all classes of newspapers, and are published, perhaps, in a majority of the papers in the United States. Mr. Morrison submits a copy of a contract made by the Royal Baking Powder Company with the Knoxville Journal-Tribune for pure reading matter advertisements. He submits also copies of reading articles which appeared in the Knoxville Journal-Tribune, the Rochester (N. Y.) Herald, and the New Orleans Presbyterian; also a copy of a letter to the Royal Baking Powder Company from the Bible Reader and Sunday Magazine of Richmond, and a copy of the reply of the Royal Baking Powder Company. (375–379.)

Mr. MORRIS says that the Royal Baking Powder Company, in urging the sale of its baking powders, finds it desirable to expose the weak points of its opponents' goods, and advertises that alum baking powders are injurious. It does not make contracts

with newspapers to exclude the advertisements of its rivals, except to the extent that its rivals shall not neutralize the effect of the Royal Baking Powder Company's advertising by attacking the quality of its goods. It does not have any contracts that prevent the alum people from defending the quality of their own goods, and Mr. Morris does not know of any publisher who would refuse to publish their advertisements.

Referring to what purported to be a contract between the Royal Baking Powder Company and the Knoxville Journal-Tribune for the insertion of an advertisement as pure reading matter, Mr. Morris says that he supposes that the Royal Baking Powder Company made such a contract. He does not think that the provision made in that contract that the pure reading advertisement shall not, at the date of publication or afterwards, be designated or classed by any article or advertisement in that paper as an advertisement, or as paid for, or as emanating from the Royal Baking Powder Company, would prevent the alum people from replying. Wherever the influence of the alum baking powder people extends the Royal Company finds it difficult to get such advertisements as it wants. The papers in Richmond refused to publish advertisements which the company wanted published. (390–393.)

Mr. Morrison says that all the literature attacking alum baking powders which has been put out by the Royal Company has been sent to foreign countries, so that whenever an attempt is made to send alum baking powders into these countries the shipments are stopped by the presentation of this testimony. Because of the attacks on alum baking powders which have appeared in the newspapers the manufacturers of alum baking powders do not advertise. (382.)

Mr. Morris says that the alum baking powder manufacturers can advertise their goods and are doing so. There are plenty of papers publishing advertisements of the alum baking powders. The New York World has published an advertisement detrimental to the Royal Baking Powder Company. The alum baking powder people send circulars throughout the country. Mr. Morris submits copies of circulars which were sent out by alum baking powder manufacturers. (392.)

2. *National Health Association.*—Mr. Morrison says that the National Health Association is connected with the Royal Baking Powder Company, and does that company's work. In Missouri it sought to enforce the antialum law, and sent out pamphlets to grocers, stating the danger of handling alum powder, because of its unhealthfulness. Its publications were issued from offices which did not exist. It claimed that it contained in its membership representative men and women of the State, but the American Baking Powder Company has never been able to find a member of the society. It tried to contribute and could not find a treasurer. It has discovered, however, that the president of the National Health Society, Mr. D. J. Kelly, is indirectly connected with the Royal Baking Powder Company. The National Health Society was represented before the New York legislative committee by Mr. L. Boardman, of Tracy, Boardman & Platt, who admitted that he was under a retainer from Mr. Kelly. It is shown by the record of the telegraph and telephone companies that Mr. Kelly reports to Mr. Rose, president of the Royal Baking Powder Company. (368, 369.)

Mr. Kelley, president of the National Health Society, says that that society was formed for the purpose of promoting the use of pure food, and of discouraging the manufacture, sale, and use of adulterated articles of diet. The society has distributed a quantity of pure-food literature. It has also appeared before legislative committees and State boards to advocate the enactment of pure-food laws in the States where they do not already exist, and the enforcement of regulations against adulterants in foods in the States in which such laws have been passed. This is a work which will develop as the society increases in strength and influence. In addition to working along the lines mentioned, the society has retained counsel to appear before legislative committees in the States of New York and Massachusetts. Mr. Kelley submits copies of pamphlets sent out by the National Health Society. (694, 695, 700–709.)

Mr. Kelley asserts that that society has never received a dollar from the Royal Baking Powder Company, and that he himself is not and has not been employed by or connected with the Royal Baking Powder Company. (694.)

Mr. Morris says that there is such an organization as the National Health Society, with headquarters at New York City. He will not say whether or not the Royal Baking Powder Company has contributed to the support of it. As to all other matters, the National Health Society will have to answer for itself. (394, 395.)

3. *Legislative attacks.*—Mr. Morrison says that Mr. Ziegler, who is at present an active man in the Royal Baking Powder Company, originated the attacks on alum baking powders. This was before the formation of the present Royal Baking Powder Company. After that combination was formed the attack on alum baking powder was continued. The first thing accomplished was the passage of a bill through

the Missouri legislature which on its face was a bill to prevent the use of poisons. The bill provided that it should be unlawful after a certain date to use arsenic, calomel, bismuth, ammonia, or alum in the preparation of foods. The alum baking powder manufacturers did not realize what the provisions of the bill were until it became a law. Immediately after the passage of the law 31 manufacturers of Missouri formed what is known as the Missouri Association to test the constitutionality of the law. The court decided that, although no evidence was offered to show that alum baking powders were in any way less wholesome than any other baking powders, yet the legislature had the right to pass such a law, and that therefore the law was constitutional. In October, 1899, the American Baking Powder Association was formed. Since its organization it has killed some 27 bills, similar to the Missouri bill, in about 16 or 18 different States. Missouri is the only State in which a bill of a prohibitive character against alum baking powder has been passed. In New York a bill similar to the Missouri bill was killed in the senate and immediately introduced in the assembly. This year in New York a pure-food bill was introduced, to which in its original form there was no objection. When the bill came out of committee it had a section added to it, making it like the Missouri bill. Before the introduction of the antialum bill into the Missouri legislature the newspapers had been filled with paid written matter attacking alum, and warning people against the use of unwholesome substances in the preparation of food, such as baking powder that contained alum. The public, it was said, could always test alum baking powder by the fact that it was cheaper. When the papers were asked to publish a retraction, they replied that they could not do so, because the contracts they had with the Royal Baking Powder Company precluded any answer. After the decision of the Missouri court was announced the association offered it to the papers at the highest advertising rates, but they would not take it. The Post-Office Department was asked to take away from these papers the privilege of going through the mails as second-class matter, and in response to a note from the postmaster the papers afterwards accepted the decision at highest rates. Mr. Morrison submits an extract from the Missouri decision. (366, 367, 369, 377, 386.)

When it was attempted to secure the repeal of the Missouri antialum law, great opposition was encountered from the National Health Society. Finally the house of representatives passed the repeal bill by a vote of 109 to 105. The bill was then sent to the senate, was referred to the committee on criminal jurisprudence, and stayed in that committee. The house of representatives passed a resolution stating that it had done all in its power to pass the repeal, and that the people must hold the chairman of the senate committee on jurisprudence responsible for the failure of the proposed legislation. After it had been voted in the senate that no further business should be done, the chairman of the committee on criminal jurisprudence asked unanimous consent to present a report. The report which he presented had been written by himself and had not been considered by the committee. This report recommended that the repeal bill should not pass, and there was embodied in it an attack upon alum baking powder. Mr. Morrison submits a copy of this report. (369–371.)

Mr. Morrison adds that this year, after the antialum bill had been twice defeated in the Arkansas assembly, it was found that a similar bill had been introduced into the senate. The bill was not passed. Five minutes before the adjournment of the senate the chairman of the committee which had the bill in charge asked unanimous consent to make a report, and reported an attack against alum baking powder. Mr. Morrison submits a copy of a letter received from the president of the Arkansas senate, written before the adjournment of the senate. The statement was made in this letter that the bill would not pass, as the members of the legislature were aware of the methods of the Royal Baking Powder Company and of the object which it sought to accomplish. (371, 372.)

Mr. Morris testifies that the Royal Baking Powder Company had nothing whatever to do with the passage in Missouri of the law against alum baking powders. In New York and in other States where bills against alum baking powders have been introduced, it has tried by proper means to further such bills. In New York it had an attorney to present the matter before the legislative committee. Mr. Morris makes the charge that the alum baking powder people have been going to legislatures and introducing bills against alum baking powders and killing them, and then calling public attention to the number of States which have rejected bills against alum baking powder. Mr. Morris has no evidence of this fact, but states it as his belief. (393, 394.)

Mr. Kelley, president of the National Health Society, says that in the State of New York, at the last session of the legislature, a pure-food bill was introduced which included in its provisions a prohibition aimed at alum baking powder. Mr. George L. Flanders, the deputy commissioner of agriculture, informed the committee which

had consideration of the bill that the bill was prepared in his office. The National Health Society appeared before the New York legislative committee and was represented by Mr. A. L. Boardman as counsel. Two chemists also appeared before the committee to argue in favor of the bill, both of whom stated that they were not in the employ of the Royal Baking Powder Company. The committee, after listening to the testimony and the argument, unanimously reported in favor of the passage of the bill. (695–697.)

Mr. Kelley also says that at the last session of the legislature in Massachusetts 3 general-food bills were introduced by 3 different members and that each bill contained a clause prohibiting the use of alum in baking powders. Seven eminent chemists appeared before the joint committee when the bills were under consideration, and each testified unqualifiedly against the use of alum in any shape or form in baking powders. Not one of these chemists was requested to appear by the National Health Society and not one of them received any compensation from the society for appearing. The only compensation received by them was the statutory per-diem fee paid by the committee. The National Health Society appeared before the committee by counsel. The committee, after hearing the testimony and the arguments, reported the bills favorably by a unanimous vote. (697.)

4. *Methods of selling.*—Mr. Morris says that the Royal Baking Powder Company sells through jobbers. It issues a retail price card and tries to induce jobbers to maintain prices by offering a 6 per cent special allowance, paid quarterly, in case prices are maintained. It threatens to refuse to sell to jobbers who cut prices, but sometimes conditions are such that a threat is as far as it goes. (388, 389.)

Mr. Morrison says that the alum baking powder people sell their goods through traveling salesmen. There are probably 1,500 men traveling for these companies all the time, who go from store to store and offer their goods for sale at competitive prices. (384.)

H. Foreign baking powder legislation.—Mr. Morris says that there is an English law against the use of alum baking powders. The law as first passed prohibited the sale of injurious food products, and was held to be not applicable to alum baking powder; but the law was amended so as to prohibit the sale of alum baking powder. (395.)

Mr. Kelley states that the use of alum as a food ingredient has been prohibited by law in England, France, and Germany. Mr. Kelley submits copies of extracts made from the London Grocer reporting prosecutions conducted under the English law for the sale of alum baking powder. (699, 705–709.)

Mr. Morrison says that there are laws in Great Britain against the use of alum baking powders. It had been the practice of bakers to put alum itself into bread with the idea of whitening poor or yellow flour, and a law was passed prohibiting the use of alum in food. Under that law a case was brought against a manufacturer of alum baking powder. The decision of the court was that the law did not apply to baking powder, because baking powder was not a food. Later the law was amended so as to apply to any article used in the preparation of food. In Canada a ruling prohibiting alum baking powder was reversed by the internal-revenue commissioner upon representations made by the alum baking powder manufacturers. Very little baking powder is sold in France or Germany. (381.)

X. THE PAPER COMBINATION.

A. Description of business.—Mr. Chisholm says that the International Paper Company, of which he is president, owns and operates 32 plants, with a total daily capacity of about 1,500 tons of paper, including the kinds of paper that are used in printing newspapers, magazines, and Bibles; manila paper; paper books; cardboard, and a variety of other kinds of paper the material of which is wood. The company owns water powers and timber lands, some of which are in use and others of which are yet to be developed. During the past year the company has been making all of its own wood pulp, its output being about 800 tons per day. The company is probably the largest manufacturer of news-print paper in the world. (431, 438.)

B. Organization and capitalization.—Mr. Chisholm states that for the purpose of organizing the company a representative committee, consisting of practical men and large owners of the different plants, was appointed. This committee visited and examined each plant which it was intended to purchase. Then all agreed upon the price to be paid for each plant, the representative of each company finally accepting the price fixed. A second committee was appointed to appraise the timber lands owned by the different companies, and their valuations were accepted by the

owners. Each company sold outright all its properties to a purchasing committee, which in turn conveyed them to the International Paper Company upon its formation. The gross amount received by each company was paid to it in the securities of the new company. All the different interests were on the same basis as regards the proportion of preferred and common stock and bonds which they received in payment for their plants. (432, 433.)

The authorized capitalization of the International Paper Company is $45,000,000, of which $25,000,000 is preferred stock and $20,000,000 common. There has been issued $22,000,000 of the preferred and about $17,000,000 of the common. The company is authorized to issue $10,000,000 in bonds, and there has been issued about $9,000,000. On properties purchased since the formation of the company bonds have been allowed to stand. The properties purchased have been paid for at a fair valuation, everything being taken into consideration. In some cases there was a valuable water power, in other cases the mill was in close proximity to timber lands. The relative position and the question of transportation from pulp mill to paper mill had to be taken into consideration. Some of the companies had been capitalized at a very low rate, which did not by any means represent the value of the property, and Mr. Chisholm questions whether the property now owned by the International Paper Company could be duplicated for its capitalization, including both common and preferred stock, at par.

In the memorandum submitted to the joint high commission in 1899, which Mr. Chisholm submits as a part of his testimony, it is stated that upon the formation of the International Paper Company $20,000,000 of preferred stock, $16,000,000 common stock, and $10,000,000 of bonds were issued, making a total of $46,000,000; that the appraisal of the various properties purchased, which was made by expert men, who appraised them at their actual value, was $43,000,000; that the company had $7,000,000 cash working capital; and that therefore a total value of properties and cash amounting to $50,000,000 was represented by only $46,000,000 of securities. (432, 433, 441.)

Not a dollar was paid for promoting. No promoter, underwriter, or any other party was engaged directly or indirectly in the formation of the International Paper Company, excepting the owners and the attorneys who were engaged to do the legal work, and the various committees appointed, which made no charge for their services. (432.)

Mr. Norris, business manager of the New York Times, says that the organizers of the company admitted at the time of the consolidation that the common stock, nearly $20,000,000, represented good will, though they now deny that it did not represent value. A number of the mills purchased by the company were deficient in those factors which are essential to competition. Some of them were located on exhausted water courses and tributary to denuded timber tracts. Of the 98 paper machines which were included in the merger only 48 were of recent construction or of desirable pattern. Some of the mills were using leased water powers. One mill entered the combination on a basis that yielded $4.50 in the company's securities on every $1 of original investment. Modern plants with improved machinery and better locations and more economical operation could have been built for $15,000,000. The overcapitalization of the company is, therefore, $40,000,000. In the brief submitted to the joint high commission by Mr. Norris and embodied by him in his testimony is given a list of the properties taken over by the International Paper Company and the amount of capitalization allotted to each. (409, 410, 415, 419, 420.)

C. Extent of control.—Mr. Norris says that, according to the Commissioner of Labor, the total production of paper in this country per annum is $97,000,000. This includes book paper, strawboard, writing paper, manila paper, and other articles. The gross production of news-print paper will not exceed $26,000,000. There are probably 723 pulp and paper mills in the United States, 63 of which are news-print mills. The daily output of news-print paper averages about 2,055 tons, the output of the International Paper Company being 1,300 tons per day. (407, 411.)

All the big and profitable paper mills in the country, with a few unimportant exceptions, 24 mills in all, producing about 80 per cent of the American output at that time, were merged into the International Paper Company. Since that time the number of mills has been increased by purchase to 30. The percentage of output was slightly increased through these purchases, but the new mills of the Great Northern Paper Company have reduced the percentage. In the brief submitted to the joint high commission and embodied by Mr. Norris in his testimony, it is stated that the company owns practically all of the locations in the United States where cheap and ample water power, cheap and good spruce wood, and cheap rates to market can be obtained for a mill of 100 tons daily capacity. In 1898 Mr. Norris advertised for offerings of water powers and mill sites for the purpose of placing a

large newspaper supply. A great many propositions were received, but there were comparatively few sites that were at all available. The International Paper Company owns 1,600 square miles of woodland in the United States and 2,000 square miles in Canada. (409, 410, 416, 423.)

Mr. CHISHOLM submits tables taken from Lockwood's Directory of the Paper Trade for 1898 and 1899, showing the daily capacity (not production), in pounds, of the paper and pulp mills of the United States then running, as reported by manufacturers. Mr. Chisholm thinks that the International Paper Company produces about 70 per cent of all the paper manufactured in the United States, though it is impossible to tell accurately. There are 1,200 pulp and paper mills in the United States engaged in the manufacture of various kinds of paper. They manufacture about 30 per cent of the total output. The International Paper Company has no connection with these outside concerns. (431, 435–438.)

D. Reasons for combination.—Mr. CHISHOLM, president of the International Paper Company, says that before the formation of the International Paper Company there was more news-print paper manufactured than the consuming power of the country could take. There was such reckless competition, and there were such unbusinesslike methods in vogue, that the manufacturers did not receive adequate returns from the capital invested, and bankruptcy was staring them all in the face. The International Paper Company was formed because it was believed by the leading manufacturers of paper that one company which should control the leading and best paper mills could manufacture a more uniform and better quality of paper, and also because it was believed that ecomomies could be made in the manufacture and distribution of the product. (431, 435.)

Mr. NORRIS, business manager of the New York Times, also says that previous to the formation of the International Paper Company there was intense competition between manufacturers of paper. His view is, however, that this competition forced economies and improvements in manufacture and increased consumption. Within a period of 7 years the speed of paper machines was increased from 200 to 500 feet per minute and their width increased to 162 inches. A complete revolution in method was made, and news-print paper was put upon the car at the mill at a cost of less than $25 per ton. The price was continually reduced. In the year 1897 news-print paper, which had sold 18 years before for 9 cents a pound, was sold, delivered in the news rooms at New York City, at 1.6 cents a pound, with the agreement that all weight in excess of a given standard should be at the expense of the manufacturer, and that the newspaper should have the benefit of any deficiency in case the paper should fall below standard. Other provisions favorable to buyers were also made. During 1897 the price of news-print paper for the large dailies averaged about 1¾ cents per pound. These continuous reductions in the price of paper constituted an element in cheapening the cost of producing newspapers, and resulted in the enlargement of the daily and Sunday editions. It also resulted in the reduction of the retail price of newspapers, and in an enormous increase of newspaper circulation. The stimulus given to news-print paper manufacture resulted in an increase in capacity of about 400 tons per day during the year 1896. (408.)

The brief submitted by Mr. Norris to the joint high commission, and embodied by him in his testimony, states that the International Paper Company was formed to protect the proprietors of mills which were situated in poor localities, or on streams that were running dry. Mr. Norris says that the manufacturers who organized the company stated that they did so because they were losing money under the conditions which then existed, but the figures disclosed in the consolidation of the companies did not bear out any such statement. (415, 419.)

E. Economies of combination.—Mr. CHISHOLM says that before the formation of the International Paper Company each separate organization had its complete corps of officers, consisting of president, secretary, treasurer, bookkeepers, and salesmen. These have been entirely done away with, and each mill is equipped merely with a superintendent and a sufficient clerical force for keeping manufacturing records. All of the directing powers have been concentrated in one office, and each department of the work is conducted by one person. One of the greatest economies effected is that a better quality of product and a larger amount of it is secured from the same machinery, and from the labor of the same number of men, than was secured by the individual concerns. The gross cost of selling the product has also been much reduced. (438.)

Mr. NORRIS says that when the International Paper Company was launched those in charge of the organization assured the public that through the formation of the company economies would be secured by a reduction in the number of salesmen, brokers, and jobbers; by the purchasing of supplies on a wholesale basis; by savings

in freight charges through the system of furnishing paper from the mill nearest to the purchaser; by increasing the exportation of American paper; by the establishment of a uniform contract, and by the abolition of long credits. Mr. Norris declares that these economies have not been realized and that the cost of producing a ton of news-print paper has increased $3 during the 3 years of consolidation. There have been some improvements since the consolidation and the labor cost of a ton of paper has been reduced, having been brought down to less than 12 cents per 100 pounds in the best equipped mills. There has not been the same stimulus, however, to improve in manufacture which existed under individual ownership, and the savings made are insignificant in comparison with the increase of expenses in other lines. The company has a president said to receive a salary of $50,000 per year. Manufacturers who had been receiving salaries of $7,500 as managers of mills are now paid salaries of $15,000. Salaries of mill superintendents have also been raised. An elaborate sales department, with a $15,000 vice-president in charge and with salaried agents in many of the big cities, has been established, while before the consolidation the proprietors of the mills sold their paper without any charge. The company is competing with itself in the purchase of woodlands, and consequently the price of wood pulp has advanced. The manufacturers of wires for paper machines have advanced prices; the manufacturers of felts for paper machines have done likewise. The transportation companies have increased the rates to mills on the branch lines over rates previously made to them to enable them to compete with mills on the main line, and have added 2 or more cents per 100 pounds to all rates. (407, 410, 411, 424.)

F. Effect of combination on prices.—Mr. Chisholm says that the prices of news-print paper have been increased since the formation of the International Paper Company, because the prices which prevailed before were such that manufacturers were not getting adequate returns on the capital invested. It is impossible to tell accurately what price was then paid for paper, because of the conditions under which paper was sold. The manufacturer was paid only for the number of perfect sheets of paper supplied to the publisher, and payment was based on the number of perfect papers printed. The paper manufacturers have now adopted a standard form of contract, according to which a fixed price on paper is made, and if the paper is not satisfactory, allowance is made. After the Spanish war began, the demand upon the International Paper Company for news-print paper much exceeded its ability to supply. The outside mills and the jobbers found a scarcity on this account, and the price of paper went up as much as a half or three-quarters of a cent a pound. The annual sales of the International Paper Company, however, showed little increase, because of the number of time contracts which had been made before the advance in price. Since the formation of the company, the quality of paper has been much improved, and the poorest mills in the company put out paper which will average 20 per cent better in tensile strength, finish and all other qualities than the paper formerly manufactured by the separate concerns. The consumer of news-print paper in this country gets it cheaper than it can be bought anywhere else in the world.

Mr. Chisholm submits a table showing the price of paper from 1890 to 1900. (433, 435.)

Mr. Norris says that immediately after the formation of the International Paper Company the price of news-print paper was advanced. The company started a competition with itself and stimulated prices, thereby increasing the cost of manufacture to an extent. By reducing the number of interests which had to be considered in establishing prices, it was able to increase very considerably the price of paper to the consumer. The system of uniform contracts for newspapers, adopted by the company, was such that $2 per ton was added to the cost of news-print paper, while price quotations apparently remained the same. The average price per ton for news-print paper before the formation of the company was $35; now it is $41. The total increase since the formation of the company is therefore $8 per ton. Furthermore, a greater disparity of prices has prevailed. One paper is paying the International Paper Company 1.80 cents a pound for a fine quality of news-print paper, while another newspaper in the same city, using four times the quantity, is paying 2.15 cents a pound for paper of an inferior quality. The difference is due to the fact that the prices were made at different times; but the existence of such a disparity contradicts the claim made by the International Paper Company that it would equalize prices. Prices would have advanced sowewhat if the International Paper Company had not been formed. The present excessive price of paper was made possible by four incidents: the Spanish-American war, which created an extraordinary demand for news-print paper; the South African war, which deflected the Canadian output of wood pulp to Great Britain; the phenomenal drought of 1899 and 1900; and the adoption by the International Paper Company of the policy of attempting to check

competition, and thereby marking up the price of wood pulp upon itself and upon all other mills. (411, 412, 413, 424, 429.)

Mr. Norris adds that as a result of the increased price of paper many newspapers have been reduced in size. At one time the New York daily newspapers curtailed 80 tons per week in their consumption. It would be difficult to say who pays the increased price. In some cases the newspaper might, by raising its advertising rates, make the public share part of its burden. In some cases the newspaper can not raise its advertising rate and can not raise the retail price of the paper, and therefore the increase in the cost of paper falls entirely upon the newspaper proprietor. The increase in the price of paper has not affected the wages of newspaper employees. (412, 421, 429.)

If the cost of paper were decreased a newspaper which had been selling for 2 cents might be able to increase the size of the paper and reduce the price to 1 cent. While the margin of profit might be smaller on the 1-cent basis, there would be an increase in circulation and therefore a material increase in its revenues, so that the paper would make as much profit as before. The price of a newspaper is the most important factor in the extent of its circulation. (421.)

G. Effect of combination on wages.—Mr. Chisholm says that the International Paper Company has increased wages so that the average pay to its mill operatives is greater than when the company was formed. (439.)

Mr. Norris also says that he is told by paper manufacturers that as a result of the consolidation the pay of some of their skilled labor has been advanced from $2.75 to $3.50 per day. (411.)

H. Exports.—Mr. Chisholm says that the International Paper Company is establishing agencies for the sale of its product in the principal cities of England, Australia, Japan and South America. Last year the company supplied one-third of the news-print paper consumed in Australia. Other American manufacturers also sent a large quantity there. (438, 439.)

Mr. Chisholm adds that last year the export profits of the International Paper Company, on the prices received, were the highest profits in the business. (440.)

Mr. Norris says that the export dreams of the International Paper Company have not been realized. The figures for the year ending June 30, 1900, showed a falling off of over 4,000 tons in volume, and $179,000 in value, from the year ending June 30, 1898. The brief submitted by Mr. Norris to the Joint High Commission in 1898, and embodied in his testimony, states that American manufacturers were then supplying the Australian and Japanese markets with paper, and were underselling the British, Swedish, and German manufacturers in the British market. (411.)

I. Competition, actual and possible.—Mr. Norris says that within a few months after the formation of the International Paper Company, and as a result of the methods which it had adopted toward the paper trade generally, a rival interest was created, which has since materialized into the Great Northern Paper Company, with an output at present exceeding 225 tons per day and with a possibility of 500 tons per day. Another mill, with an estimated capacity of 100 tons per day, has been established at St. Regis, N. Y. Before the close of the year 1901 the capacity for production of news-print paper will have increased 450 tons per day, as compared with the period before the formation of the International Paper Company. The possibilities of competition with that company have been barely touched, provided timber or the mechanically ground wood can be obtained from Canada. In addition to 60,000-horsepower development at Sault Sainte Marie, on both sides of the St. Mary's River, there is an opportunity for a further development of 100,000 horsepower. At Massena, N. Y., on the St. Lawrence River, 40,000 horsepower will be available. At a meeting of the American Paper and Pulp Association one speaker said that there was a possible development of 5,000,000 horsepower by water in the United States, and that the development made up to 1890 was only one-fourth of the total. (412.)

The reason why the newspaper proprietors have not built their own paper mills, and thus become entirely independent of the trust, is, according to Mr. Norris, that there has been a general belief that under normal conditions natural laws of trade would work out such readjustment as would bring prices to a fair figure. In those cases where publishers have bought paper mills there has been lack of success. A successful paper mill requires to have cheap and ample water power, cheap and ample spruce timber, cheap routes to market, improved machinery, wholesale production, and concentrated supervision. (413, 422.)

Mr. Norris thinks that patent machinery or patent processes are very inconsiderable factors in the manufacture of paper. He does not know of any that were acquired by the International Paper Company at the time of its organization. One,

the Russell process, for lining digesters, was subsequently purchased by the company. (423.)

The memorandum submitted to the joint high commission, and included by Mr. Chisholm in his testimony, states that the cost of construction for a modern complete paper plant would be an amount equal to $22,000 for every ton of daily output. A complete paper plant consists of a sulphite mill, which would cost $5,000 per ton of daily output; a ground wood pulp mill, which would cost $5,000 per ton of daily output; and the paper mill proper, which would cost $7,000 per ton of daily output. The development of the water power needed for the operation of these mills would cost $5,000 per ton of daily output of paper. (441.)

J. Tariff.—Mr. Chisholm says that the paper industry of this country has been built up under the fostering care of the tariff. The aggregate of capital invested in the industry is not less than $200,000,000, and the value of the output is $180,000,000 or $190,000,000. The United States is the foremost producer of paper in the world, and has the largest amount of money invested in its manufacture. The absolute assurance of the home market which manufacturers have enables them to make paper cheaper than their foreign competitors, and also enables them to develop their properties to the fullest extent, and thus make and distribute paper at present prices, and so gradually capture the markets of the world. The tariff, put in ad valorem form, would be about as follows: On mechanical pulp, 9.2 per cent; on unbleached chemical pulp, 8¾ per cent; on paper, 15 per cent. These duties are among the lowest imposed upon any manufactured article.

The memorandum presented to the joint high commission, which Mr. Chisholm embodies in his testimony, states that in the four essential items which enter into the cost of finished paper Canadian manufacturers have a large advantage over the manufacturers of the United States. The cost to the Canadian mills of spruce wood delivered at the pulp mill does not exceed $2.50 per cord, and some manufacturers claim that they are able to procure it for $1.50 per cord, while spruce in the United States delivered at the pulp mill varies from $5 to $7 per cord. The Canadian manufacturer through this one item alone has an advantage over the American manufacturer of $2.75 per ton on wood pulp, while the tariff per ton on pulp is $1.67. It states further that the cost of labor in the American mills is fully one-third greater than in the Canadian mills. The difference in labor cost, added to the difference in the cost of wood pulp, amounts to fully $3 per ton on the finished paper. It further states that the difference in the cost of fuel to the Canadian and to the American manufacturer is not great, but that what difference there is is to the advantage of the Canadian manufacturer. The cost of the development of water power is on an average twice as great in the United States as in Canada. It is further stated that the cost of transportation from the Canadian mills to the principal cities of the United States is in most cases less than from the paper mills in the United States; that in many cases the difference in favor of the Canadian mill is as much as $2 per ton, this coming about largely from the fact that the Canadian roads have been subsidized by the Government. (439, 442, 443.)

Mr. Chisholm says that in his opinion the removal of the duties on paper and wood pulp would, to a degree, lessen production in this country; lessen employment and diminish wages. There is no doubt that a great effort would be made to bring about the establishment of large mills in Canada. If the pulp and paper mills should be transferred from the United States to Canada it would be absolutely within the power of the Canadian government to regulate the price which the consumer of paper in the United States would be obliged to pay. The great majority of timber lands in Canada are owned by the provincial governments or by the general government. Licenses to cut upon these lands at a nominal annual rental per square mile are granted, and once a year the price per cord is fixed for all the wood cut during the year. This price can be increased from time to time to any sum that the government may see fit to fix. The memorandum submitted to the joint high commission, and embodied by Mr. Chisholm in his testimony, states that if pulp and paper were put upon the free list the parties interested in the paper industry would hasten to cut off the spruce timber which they now own and convert it into cash before mills enough could be constructed in Canada to supply the American market with paper. The result would be that great waste would occur and that the forests would be ruined for all time to come. (443, 446.)

Mr. Norris says that no paper for news print is imported into the United States. Even before the increase of the tariff on news print paper by the Dingley law, no news print paper was imported into the United States, because the American mills could make paper more cheaply than any other mills. The brief submitted by Mr. Norris to the joint high commission, and embodied in his testimony, states that the total importations of wood pulp in the 12 months ending June 30, 1898, were 29,846

tons, valued at $601,642. The importations in 1897 amounted to 41,707 tons, valued at $800,886. (409, 414.)

Mr. Norris says that if there had been no tariff on wood pulp the establishment of American paper mills would have been very much larger than that which has actually occurred under the tariff. So far as the tariff on paper is concerned, the natural laws of trade will work out and paper will be cheapened under normal conditions regardless of the tariff. The tariff, to the extent that it has stimulated prices, has had a tendency to put a premium on competition. The retention and the increase of the tariff on wood pulp has resulted in Canadian retaliation upon the American users of Canadian logs. The Province of Ontario has prohibited the export of any logs cut from crown lands; the Province of Quebec has imposed a license fee of $1.90 per cord upon logs cut upon crown lands and gives a rebate of $1.50 in case the logs are used in Canada. (413, 425, 428.)

The abolition of the present duty on wood pulp would reduce the cost of the manufacture of paper to the International Paper Company as well as to others, and to an extent would reduce the cost of paper to the consumer. A well-equipped American paper mill can meet the product of any nation of the world. The American manufacturer is protected by his location. He is in the market where his product is consumed, and he is therefore protected against competition because of the cost of transportation. If wood pulp were introduced free of duty the cost of the construction of paper-mill plants would be reduced to $3,000 per ton of daily output, and paper mills at that small capitalization could be established in the United States at points which are now impossible because of the fact that the grinding of the pulp requires a great deal of power in order that it may be done cheaply. The result would be that the price of all kinds of paper would be reduced, and at the same time the forests of this country would be protected, while the paper manufacturers would not be seriously menaced. The loss of revenue from the abolition of the tariff on wood pulp would be slight because very little wood pulp is imported. The persons employed in the American paper mills would not be affected by the removal of the tariff because a greater stimulus would be given to the development of the manufacture, and there would still be a very considerable manufacture of pulp from timber in the United States. The newspapers would participate in the general prosperity following the removal of the tariff on wood pulp. The greater prosperity in the newspaper trade would be reflected in larger pay for all the employees, and the number of laborers employed by the newspapers is 40 times as great as the number of laborers employed in the paper mills. As a result of lower prices of news print paper there would be an increase in consumption, and therefore there would be more persons employed in the printing of newspapers. The removal of the tariff on wood pulp would not necessarily open up the general tariff question. It could be secured through the establishment of reciprocal trade relations with Canada.

In the brief submitted to the joint high commission by Mr. Norris, and embodied by him in his testimony, it is stated that the tariff on paper is prohibitory and that on wood pulp excessive, and that free paper and free wood pulp offer the only strong and permanent assurance of protection from the exactions of the International Paper Company. (413, 414, 417, 425, 428, 429, 430.)

K. Forest protection.—The memorandum submitted to the joint high commission, and embodied by Mr. Chisholm in his testimony, states that many of the large holders of spruce lands have of their own volition instituted a system of forestry by which the forests will be preserved. The size of the timber cut is limited, and the smaller trees are left to grow up and produce another crop. This is the system adopted in Germany. In the Adirondack forest the proportion of spruce is less than 10 per cent of the entire growth, and by cutting only those trees which are above 10 or 12 inches in diameter at the butt little or no impression is made upon the forest. One of the chief causes for the organization of the International Paper Company was the necessity of a proper system of forestry for the spruce lands in the United States. The small individual holders, in their competition with each other, were cutting down trees which were only 5 or 6 inches in diameter. The International Paper Company has already adopted a system of cutting which will give to its mills a perpetual supply of spruce timber. (444, 445.)

Mr. Chisholm states that according to the United States official record 37 per cent of the area of the United States and 50 per cent of the area of the 13 Southern States is covered with wood. The paper industry consumes less than 2 per cent of the total amount of wood cut, so that for the future development of the paper industry in this country there are ample resources within the borders of the United States. (439.)

Mr. Norris says that spruce is the best wood for use in the manufacture of paper. It makes a whiter sheet, and the surface of paper made from it is smoother and better than that produced from poplar. There are other woods from which sulphite

pulp is made, but for them more chemicals for clearing purposes are required than when spruce is used. (423.)

Mr. Norris also says that the Chief of the Bureau of Forestry of the National Department of Agriculture has reported that the original forests can not long suffice to supply the increase in the demands for spruce which are made upon them. Three commissions in New Hampshire have reported that the present methods of cutting, if continued, will entail baleful scenic, climatic, and economical results, injuring the health and property of citizens, impairing the industrial development of the State, and rendering intermittent the flow of the rivers which are most important to agriculture and manufactures.

In the brief submitted by Mr. Norris to the Joint High Commission, and embodied by him in his testimony, it is stated that the denudation of our forests by pulp mills and sawmills in the 4 States of Maine, New Hampshire, Vermont, and New York has progressed at the rate of 1,700 square miles per annum, while the Chief of the Bureau of Forestry calculates that forest fires are causing an annual loss of $20,000,000. The latest records of the Geological Survey show that the low-water level of our important lakes and rivers has been declining for the last 10 years, and many lakes in the Northwest have entirely disappeared. There is no available spruce in the United States west of New York, except a limited amount in West Virginia, a tract of 50,000 acres in Michigan, and a similar area in Wisconsin. In the State of Maine there are 420 timber townships, but all of the townships accessible to large rivers are entirely denuded of their valuable timber. In New Hampshire, at the present rate of cutting, according to the State forest commissioner, the entire forest resources of the State will be exhausted in 12 years. Vermont has already reached a point where it can barely supply its home demands. Mr. Norris says that the reports referred to in this brief cover periods immediately prior to 1899. He says that while the International Paper Company may be taking steps to conserve the forests, they are not doing so to any extent that will compare with the denudation that is now going on. (413, 417, 418, 427.)

Mr. Norris adds that there is an almost unbroken area of spruce timber in Canada, from Labrador to the Yukon, and from the St. Lawrence to Hudson Bay. There are other timbers included in this region, but there is more than enough of spruce to meet all the possible demands or requirements of any interests in the United States. With the ordinary capacity of these forests for reproduction all of the timber cutting there for the supply of pulp wood for paper would be more than offset. (426.)

Mr. Chisholm thinks that there is a very exaggerated opinion as to the amount of spruce forest which there is in Canada. The International Paper Company owns over 2,000 square miles of woodland in Canada, and it does not find nearly so large an amount of spruce to the acre as is found in Maine, New Hampshire, Vermont, the Adirondacks, or the South. (447.)

XI. THE IRON AND STEEL COMBINATION.

A. United States Steel Corporation and Competitors.—1. *United States Steel Corporation.—a. Organization.*—Mr. Schwab, president of the United States Steel Corporation, says that his company is simply the owner of nearly all the capital stock of the companies which it consolidated. It was organized in the same manner as the Federal Steel Company. Its control is indirect, and rests simply on its power to elect directors of the subordinate companies. If the directors of a subordinate company should choose to disregard the policy of the United States Steel Corporation, nothing could prevent their carrying out their own ideas until their year expired; then new directors would be elected.

In making up the working force of the United States Steel Corporation Mr. Schwab was careful to put in no controlling or directing officers. His policy is to throw the whole responsibility for manufacturing and results upon the subsidiary organizations. The United States Steel Corporation will try to make itself largely a clearing house of information for the constituent companies. All supplies are bought by each company separately, and all sales are made by each company separately, except that where similar goods, as rails, are sold by different companies, only one sales agent for all will probably be appointed in any one place. To illustrate the independent action of the constituent companies, Mr. Schwab says that when the presidents of the Federal Steel Company and the National Steel Company and the Carnegie Steel Company met to consider how the sales of these three companies might be managed to the best advantage, Mr. Schwab did not attend the meeting. Mr. Schwab even finds one of his chief difficulties in the eagerness of the officers of each of the constituent companies to make a good bargain for their own company in dealing with the others. It is hard to get them to agree. (450, 452, 453, 468.)

b. Capitalization.—Mr. SCHWAB submits the prospectus, the certificate of incorporation, and the by-laws of the United States Steel Corporation. The authorized capital stock is $1,100,000,000, half 7 per cent cumulative preferred and half common. The preferred stock has a preference to the extent of its par value in the event of a dissolution of the corporation. Bonds of the corporation were issued to pay for the bonds of the Carnegie Company and for 60 per cent of its stock. For each $100 par value of the stock of the other constituent companies, the following amounts of the stock of the United States Steel Corporation were offered in exchange: Federal Steel Company, preferred stock, $110 new preferred; common stock, $4 new preferred and $107.50 new common. American Steel and Wire Company, preferred, $117.50 new preferred; common, $102.50 new common. National Tube Company, preferred, $125 new preferred; common, $8.80 new preferred and $125 new common. National Steel Company, preferred, $125 new preferred; common, $125 new common. American Tin Plate Company, preferred, $125 new preferred; common, $20 new preferred and $125 new common. American Steel Hoop Company and American Sheet Steel Company, both preferred and common, dollar for dollar. It was stated in the prospectus that the net earnings of all the constituent companies for the calendar year 1900 were sufficient to pay dividends on both classes of new stock, besides providing for sinking funds and for the maintenance of the properties. (475–487.)

Mr. Schwab declares that the answer to the question, what proportion the capitalization of the United States Steel Corporation bears to its tangible assets, must depend upon the value which one sets upon the ore and coal which it owns. According to his valuation of these things, the capitalization is not big enough. The company has, for example, over 500,000,000 tons of ore in sight in the Northwest. He thinks one ought to get a profit of $2 to $2.50 on every ton of that ore that is dug. This alone would cover the capitalization of the company. The company has something like 60,000 acres of Connellsville coal. "There is no more Connellsville coal. You could not get it for $60,000 an acre. It is not there." If the consumption of steel increases as it has increased, the Connellsville coal will be exhausted in 30 years, and the Lake Superior ore now known may last some 60 years. There are other coals, but the Connellsville is an ideal coking coal for manufacturing purposes. The Connellsville field is very clearly defined and every acre of it is very highly prized. It is all owned by these constituent companies. There may be developments of coal in other directions, but nothing like this coal. Manufacturing plants can be replaced, but beds of ore and coal can not be. (See *Coal—supply for steel making*, p. CI.) (464, 467, 472.)

Mr. Schwab states that all the constituent companies had added considerably to their assets since they were organized. He adds, however, that the consolidation of them was expected to enhance the value of them by reason of the economies that were expected to be effected. (467.)

Mr. HOLT, secretary of the tariff reform committee of the Reform Club of New York City, says that the original capital of the United States Steel Corporation consisted of $304,000,000 of bonds, $425,000,000 common stock, and $425,000,000 preferred stock. This was issued in exchange for the stocks and bonds of the 8 companies taken over and for $25,000,000 in cash. Since then $72,355,280 of common stock and $70,828,890 of preferred stock has been authorized and is in process of issue, which is to be exchanged for the stocks of additional companies. The total of stocks and bonds of the constituent companies was $894,988,800. Therefore the new capitalization exceeds the old by $402,195,370, an increase of 45 per cent. A fair estimate of the value of the actual assets of the old companies would be that two-thirds of their capital was water. As the consolidation of these companies has added nothing to their value except $25,000,000 in cash and an increased monopoly power, it is fair to say that the actual visible assets of the United States Steel Corporation are only about $300,000,000, or the amount of its bonds, and that all of both kinds of stock is what is commonly called water. In this estimate no allowance is made for good will. (556.)

c. Constituent companies generally.—Mr. SCHWAB remarks that the several constituent companies were, to a large extent, in different lines of business, and not competitors of each other. Thus the tube company, the tin plate company, the wire company, and the hoop company had each its separate business. The Carnegie Company was largely a maker of structural iron, which the others did not make. They were hardly competitors in billets, since the billets made by the National Steel Company, the Carnegie Steel Company, and others were consumed by the several organizations. They were competitors in rails; "but it would have been impossible to put these great companies together without having had them as competitors in some lines previous to the organization." (450.)

d. The Carnegie Company.—Mr. SCHWAB, who was formerly president of the Carnegie Steel Company and the Carnegie Company, states that the original Carnegie Steel

Company was a partnership. When it went into the mining of ores a separate organization was formed for that purpose. Almost every other branch of the business was handled in the same way; for instance, the shipping industry on the lakes, the railroad, the coke interest, and the limestone interest. There were thus some 26 or 27 separate organizations. The controlling interest in all, however, was held by the same people. In fact, Mr. Carnegie himself held a controlling interest, something over 50 per cent, in each of the companies. It was finally thought best, for the sake of harmony among the partners, to put all these varied interests into one corporation, to be known as the Carnegie Company. Mr. Carnegie's idea was that a partner ought not to have a greater interest in one branch of the business than in another, as, for instance, in coke than in steel, because it might affect the contracts between the two companies. The conditions of a close partnership were, so far as possible, retained. The shares were made $1,000 each in order that they might not be traded in; and Mr. Schwab believes that during the existence of the company only one sale of stock, of 10 shares, was made. Practically all the stockholders in the Carnegie Company, except Mr. Carnegie, were people without capital, who were given stock for their services and who retained it. (449, 459.)

The Carnegie Company manufactured perhaps a larger general variety of steel articles than almost any other manufacturing concern. It produced from 20 to 30 per cent of the steel made in the United States. Of structural materials, plates, etc., it made 50 per cent; of rails, 30 per cent; of armor, 50 per cent. Its exports were 70 per cent of the steel exports of the United States. It mined all the ore that it consumed, amounting to over 4,000,000 tons a year. It had 12 ore-carrying boats on the lakes, on which it transported a large part of its ore. It had more boats under construction at the time of the consolidation with the United States Steel Corporation. It carried a large part of its ore over its own railroad to its Pittsburg works. This railroad, known as the Bessemer and Lake Erie Railroad, runs from Conneaut Harbor to Pittsburg, about 156 miles. It is especially designed for heavy traffic. The road carries passengers and general freight, but the great bulk of its business is Carnegie business. (448, 449.)

The workingmen at the Carnegie Works have never been asked to contribute to any benefit fund. The firm itself has taken care of sick and disabled men. Mr. Carnegie has now put aside a fund of $5,000,000, the interest of which is to be devoted to the pensioning of injured, disabled, and worn-out workmen. This is not to be in place of the previous customary provision, but in addition to it. The fund is under the control of 3 superintendents who are familiar with the workmen; those of the Homestead, the Braddock, and the Duquesne works. Mr. Schwab thinks the practice of all the constituent companies is similar to that of the Carnegie Company. (463.)

Mr. Schwab asserts that no more is done on Sunday in the Carnegie works than is absolutely necessary. Much of the work must be carried on continuously. The mills stop on Saturday at 2 o'clock and start Sunday night at 5. That is about as long as it is possible to interrupt them, on account of the accumulation of material. He has told the men that he would, if they wished, run the works late Saturday night and start early Monday morning. Indeed, a vote was once taken on the question. The majority of the men voted to continue the practice of working Sunday night and having Saturday off. (462.)

e. The American Steel and Wire Company.—Mr. HOLT, secretary of the tariff reform committee of the Reform Club of New York City, says that the Consolidated Steel and Wire Company, which was known as the barbed-wire trust, was incorporated in 1892 with a capital of $4,000,000. Various pooling agreements were formed in 1894, 1895, and 1896, between all the barbed-wire manufacturers. In the fall of 1895 prices were fixed by agreement, according to the Iron Age, and the price of 100 pounds of barbed wire was $2.85, the price in the previous April having been $1.90. In December, 1895, the combination broke and prices fell.

Early in 1895 wire nails were selling at from 75 to 80 cents a keg. In May, two associations, one for cut and one for wire nails, were formed, and put the price up to $1.20. These associations regulated the amount of nails offered for sale each month and the prices of them. Understandings were had with Canadian manufacturers, nail-machine makers were subsidized not to sell to those outside of the association, and prices were steadily advanced for a year. In December, 1896, the pool went to pieces and prices dropped. According to the Iron Age, high prices had reduced consumption from over 9,000,000 kegs in 1891 and 1892 to less than 8,000,000 kegs in 1895, and to probably a smaller amount in 1896. In 1898 the American Steel and Wire Company, of Illinois, was formed. This was absorbed by the new American Steel and Wire Company, of New Jersey, formed in January, 1899. The new American Steel and Wire Company has an authorized capital of $90,000,000, of which

$40,000,000 is 7 per cent cumulative preferred stock. The value of the plants and other property absorbed is about $20,000,000. Admitting the $18,000,000 other capital claimed there would still be over $50,000,000 of water. The balance sheet for 1899 shows net profits of $12,162,530. In 1900 the company claims to have made only $7,000,000 profit. (559, 560, 562.)

The company includes practically all the wire, wire rod, and wire nail mills of the country. It has a monopoly of the drawn and barbed wire business, but has considerable competition in woven and fence wire. It also does a large business in copper wire and electrical goods and in fencing, poultry netting, baling wire, and bale ties. The company owns its own sources of supply. (560.)

Mr. Holt presents tables showing the prices, by months, of wire nails and barbed wire during the years from 1893 to 1900. According to these tables wire nails were selling in January, 1899, when the American Steel and Wire Company was formed, at $1.59 per keg; in January, 1900, at $3.53 per keg, and in December, 1900, at $2.35 per keg. Barbed wire was selling at $2.05 per 100 pounds in January, 1899; at $4.13 in January, 1900, and at $3 in December, 1900. It is true that the material entering into the manufacture of wire nails advanced very materially during 1899, but this did not affect the American Steel and Wire Company, because it owned everything from the mine to the factory. It mined its own ores and transported them, and was not affected by the increase in the cost of the materials. In 1899 a number of the company's mills were shut down for a considerable time, because prices had been put to a prohibitive point. In April, 1900, the price of wire nails was reduced $1 per keg simply to increase consumption. (561, 576, 577.)

Mr. Gunton says that there has been no abnormal rise in the price of wire nails. In 1887 wire nails were $3.15 per keg. The price fell in 1891 and 1892, rose a little in 1893, and then went up until in 1900 the price was $2.76. In 1901 the price fell to $2. In 1887 cut nails were $2.30; they are now $2.48. The difference is nothing considering the immense increase in the price of the raw materials of which nails are made. (632.)

f. The American Tin Plate Company.—Mr. Holt says that the capitalization of the American Tin Plate Company was $50,000,000, of which $20,000,000 was preferred and $30,000,000 common stock. The total cost of duplicating the plants controlled by the company would have been not more than $6,000,000. The value of the real estate purchased and the cash with which the trust began business probably made the actual value of the assets of the company at its foundation between $10,000,000 and $12,000,000. The amount paid for the plants by the company is said to have been $18,000,000 of common and $18,000,000 of preferred stock. In a statement put forth when the company was being formed in November, 1898, it was stated that on the basis of the operating expenses as they then were, $2,671,754 was made by the mills when prices of tin plate were lowest. Mr. Holt says that from careful estimates based on the stated profits of 1898 it may be concluded that the profits of the company in 1899 were not less than $4,650,000, even if the saving of $1,000,000 anticipated through consolidation was not made. The statement for 1900 shows total profits of $5,857,417, from which $1,500,000 was deducted for depreciation. That the company did not show greater profit in 1900 was probably because of juggled bookkeeping, or some other kind of juggling. (558, 559.)

The company controls about 40 plants and 280 mills. It owns practically every mill in the country making tin plates for the general trade. To maintain its monopoly it had 5-year agreements with the 6 or 8 manufacturers of tin-plate machinery, which prevented them from constructing mills for outsiders. Furthermore, even before the formation of the United States Steel Corporation, it was so interlocked with the other trusts which produced tin-plate bars that it is doubtful if any real competitor could have obtained bars and other raw materials. The gross output of the mills in 1898 was stated to be 7,633,556 boxes. (558.)

In November, 1898, says Mr. Holt, the price of tin plate at the Pittsburg mills was $2.65 per box, which was within 5 cents of the price of foreign plates in New York without duty. In December, 1898, the American Tin Plate Company was organized. Not only did the trust advance prices immediately, but in March, four months after the trust was formed, prices were within one-fifth of a cent a pound of the importing price, the duty being 1½ cents. On July 14 the trust raised the price of tin plate to $4.37½ a box, and on August 26 to $4.65 a box. It is not true, as is often asserted, that the advances were caused by the increased cost of raw materials. On the contrary, the advances in the prices of tin plate preceded the advances in the prices of billets and tin. The trust advanced prices arbitrarily, and with more regard to the price at which foreign plates could be imported under a protective tariff than to the increased cost of raw materials.

Mr. Holt submits a table showing the average prices, by months, of tin plate at New York in 1898, 1899, and 1900. (557–559.)

Mr. GUNTON says that the American Tin Plate Company was formed in 1899. The average price of tin plate for 1898 was $3.75 per box. The price of tin went up toward the end of 1899, and early in 1900 was $5 a box. During the year 1899 the cost of everything which enters into the manufacture of tin increased; wages also increased, so that the net increase in the cost of the materials which enter into a box of tin was $1.02; $1.02, therefore, of the increase in the price of tin was directly attributable to the increased price of raw materials. The price of tin has now fallen to $4.20 a box, while wages have not fallen, the reduction being caused by economies made in other things than raw material. (630.)

Mr. LAMB, president of the New England Free Trade League, says that there are no evidences in the market conditions of any benefit to the consumer from competition of independent manufacturers of tin plate with the American Tin Plate Company. In some cases the plants of the independent manufacturers have been abandoned; in other cases the plants have been sold to the American Tin Plate Company, thus wiping out the competition. The fact that the price made by the American Tin Plate Company is the price that must be paid for goods in the market is evidence of the fact that the independent plants have not had an effect in keeping the price down. The fact that there is inordinate profit in a business controlled by a trust would induce others to engage in it were it not for the existence of allied combinations, which would prevent them from obtaining materials. In the tin-plate business the combinations allied with the American Tin Plate Company can practically prevent competition for a considerable time. (592.)

g. Control of business.—Mr. SCHWAB says that the United States Steel Corporation controls between 65 and 75 per cent of the steel industry of the United States. In very prosperous times the percentage will be smaller, and in very dull times it will be much larger. (455, 465.)

h. Distribution of ownership.—Mr. SCHWAB remarks that, while the Carnegie Company was owned by a few people, the stock of the other constituent companies was sold upon the market, and it is a question whether the open distribution of the stock of the United States Steel Corporation has resulted in a wider distribution on the whole. (459.)

2. *Sloss-Sheffield Steel and Iron Company.*—Mr. HOPKINS, president of the Sloss-Sheffield Steel and Iron Company, says that this company makes pig iron, foundry iron, and forge iron. It does not make steel. Its outstanding capital stock is $6,700,000 preferred and $7,500,000 common. It owns 64,000 acres of coal and 48,000 acres of ore lands in Alabama. The ore is 14 feet thick and dips to an unknown depth. A calculation that was once made indicated that it would supply the output of the company for 300 years. The company is entirely independent of outside sources of supply of coal, ore, and limestone. (510, 511.)

Mr. FLINT submits the subscription agreement of the Sloss-Sheffield Steel and Iron Company, and some correspondence relating to its organization. He says that he and Mr. Frederic P. Olcott acted as trustees, and it was provided that the new company should purchase additional properties. It was not a case of a consolidation of large independent interests, but it was a provision whereby the Sloss-Sheffield Company obtained additional cash to buy additional mining properties and to construct more modern machinery. The subscription agreement submitted by Mr. Flint stated that each accepted subscription would entitle a subscriber to the amount of his subscription in the preferred stock of the new company at par, together with an equal amount of common stock. A memorandum submitted by Mr. Flint states that the authorized capitalization is $10,000,000 in 7 per cent noncumulative preferred stock, and $10,000,000 in common stock. Mr. Flint states that the properties purchased were all bought at what were regarded as sound valuations. The principal value of the business in the case of this company is in the tangible assets and in the fact that the plant is located at a favorable point. (54–57.)

The properties which were to be acquired were as follows: Sloss Iron and Steel Company, Philadelphia Furnace, Ensley Furnace, Gulf Coal and Coke Company, Corona Coal and Coke Company, Brown Ores at West Point, Tenn., and Russellville, Ala. (56, 57.)

3. *Jones & Laughlin.*—Mr. KING, vice-chairman of Jones & Laughlin, Limited, says that this company operates under the limited partnership law of Pennsylvania. Its business is the manufacture of steel, bar steel, structural steel, cold-rolled shafting, fittings, spikes, and railroad specialties. It has a yearly capacity of about 750,000 tons of pig metal, and about 600,000 tons of finished material. At the prices prevailing in 1900 such an output would represent about $20,000,000. The firm has existed about 50 years. It was changed from a partnership to a limited partnership about 20 years ago, and its capital stock was fixed at $5,000,000. Somewhat more than a year ago the capital was raised to $20,000,000. (499.)

The company has only a single plant, located at Pittsburg. It sells practically throughout the entire country. It could not sell its entire output east of Chicago, and probably one-third goes farther west. Its chief competitors for the Western market are in Chicago and Milwaukee, and it has sometimes found competition difficult because of the distance and the freight rates. Three-fourths of its output goes west of Pittsburg and one-fourth east. (503.)

4. *Ore.—a. Ownership.*—Mr. SCHWAB says that of the Lake Superior ores, which are chiefly used in the United States for steel products, the United States Steel Corporation controls about 80 per cent. The remaining 20 per cent or so is in the hands of a great number of people. Most of the titles to ore property were obtained by lumber people through lumber purchases. There is a great complication of ownerships in fee, leases, and subleases. The United States Steel Corporation has some leases. It mines all its own ore. It sells ore, not, apparently, because Mr. Schwab considers it wise to do so, but because it was obliged to assume contracts which had been made by its constituent companies, and which have still years to run. (450, 470, 471.)

Mr. KING, vice-chairman of Jones & Laughlin, says that his company uses about 1,250,000 to 1,500,000 tons of ore. It all comes from Lake Superior. The company is now able to supply all its wants from its own mines. It was not able to do so before it made some recent purchases. It has, perhaps, from 20 to 30 years' supply. (499.)

b. Prospect of exhaustion, and value.—Mr. SCHWAB says that there is a known quantity of ores in the United States, and so far as the best geologists can determine this ore region is not likely to be extended. This ore is going to be exceedingly valuable in future years. Mr. Schwab is constantly trying to impress upon his associates the need of valuing the ores highly enough. English manufacturers thought years ago that they had an unlimited supply of raw material. To-day the question of the manufacture of steel in England is largely one of getting the ore. The value of the ore in the ground in the United States is not generally appreciated. The United States Steel Corporation, owning 80 per cent of the ore deposits which are most suitable for its purposes, ought to fix a price on them commensurate with their real value, and ought to maintain that price under all conditions, in times of depression as well as in times of activity. It ought to get a profit of $2 or $2.50 on every ton. (457, 472.)

Mr. HOPKINS says that the so-called backbone of the Birmingham district in Alabama is a vein of red ore about 14 feet thick, which dips to an unknown depth, and is regarded as inexhaustible. The supply owned by his company has been estimated to be enough to cover its consumption for 300 years. (511.)

The Alabama iron ores are of 3 varieties, hard red, soft red, and brown. The average composition of the hard red ores gives about 38 per cent of metallic iron. Soft red ores have been worked running as low as 35 per cent, while others run to 50 or 54 per cent. The brown ores, properly washed, should show about 50 per cent. The red ore is regarded as practicably inexhaustible. The value of it in the ground has been reckoned at 10 cents a ton, and is now called 25 cents a ton in cases that Mr. Hopkins knows of. A man owning a good brown ore, mining and operating it himself, can produce his ore and get it into his furnace at probably 50 cents a ton less than he could if someone else owned the mine. Mr. Hopkins is not prepared, however, to criticise Mr. Schwab's valuation of the ore owned by the United States Steel Corporation. That is a 65 per cent ore. Mr. Hopkins understands that the supply of it is limited, and there is no other 65 per cent ore in the United States. The highest in the South is 54 per cent, and that exists only in limited amounts. While the ore beds in the neighborhood of Birmingham are expected to last hundreds of years, they contain only some 36 per cent of metallic iron. If a furnace is running on low-grade ore, it is probably necessary to put in 5 tons of material at the top to get 1 ton out from the bottom. If one has 65 per cent ore, less material has to be used. The iron is got out very quickly, and it is of a higher grade. (509, 510, 514, 515.)

Mr. KING does not think that the present visible supply of iron ore ought to be regarded as the total supply. "As in the case of oil and gas, it is generally found when it is needed, and the higher priced it becomes, the greater effort is made to find it." The charts of the Geological Survey seem to be quite accurate, and little Lake Superior ore which they do not show has been found by researches of individual firms. Until recently, however, research has not gone below what is known as the greenstone in the ore formation. Lately some ore has been found below that stone; so it may possibly be found deeper than has been supposed. Even if none beyond the present visible supply is found in that immediate region, Mr. King has faith that more will be found in Canada or other available places. Some good ore, though not much, has already been found in Canada. He believes the Lake Superior district can supply

ore for the steel manufacture of this country for 80 or 100 years; indeed, he would not like to put that limit on it. He would not say, therefore, that the present value of the ore in the mine ought to be estimated materially above its present selling price. (500.)

Mr. King states that the price fixed this year on standard old-range ores, which are regarded as the best from the Lake Superior mines, is $1.25 a ton less than last year. The United States Steel Corporation, owning so large a part of the ore, necessarily has much to do with the fixing of the price, and the reduction is regarded by iron men as attributable to it. (499, 500.)

c. Mining and marketing of Lake Superior ores.—Mr. SCHWAB says that though there has been an allotment of output among the Lake Superior mines, the mines have not, as a rule, taken out as much as has been allotted to them. The owners of the 20 or 30 per cent of the Lake Superior ores which are outside the combination have many markets for their product. Not nearly all the pig iron is used for steel. All the valley furnaces and makers of foundry pig iron are purchasers. He implies that there is no limitation of the market of these mines by the consolidation. (471, 472.)

d. Foreign ores.—Mr. SCHWAB states that his company has not acquired any iron ore or coal outside of the United States. It does not use any Cuban or other foreign ores, except manganese ores. Manganese ore is nearly all brought from other countries, but the amount is small. Not over 5,000 tons a month are consumed in the United States. (464.)

5. *Coal.—a. Buying by United States Steel Corporation.*—Mr. SCHWAB says that the constitutent companies buy some coal, but only, apparently, because some of them, which have not their own mines, had outside contracts for coal at the time of the consolidation, which had not been filled. It seems to be intended to supply all the wants of the corporation from the mines which it controls. (457.)

b. Supply for steel making. (See above, *Capitalization*, p. XCVI.)—Mr. KING says that while the United States Steel Corporation, owning the Connellsville coal field, may perhaps have an advantage in the coal of the Pittsburg region, there are other fields of coal in West Virginia and elsewhere that are as good for coking as the Connellsville. The Jones & Laughlin Company gets its coal from a point on the outskirts of the Connellsville region. It owns its own mines there and has certainly 35 or 40 years' supply. The coal is not regarded as strictly Connellsville coal, but is abundantly adapted for purposes of the business. (501, 506.)

Mr. HOPKINS states that the 3 coal fields in Alabama contain over 8,000 square miles, and are estimated to contain 41,000,000,000 tons of coal. This is enough to maintain a larger output than the present for a thousand years. Much of this coal is of excellent quality for coking. It is generally screened; the slack is coked and the lump is sold for steam purposes. (510.)

c. Production in Alabama.—Mr. HOPKINS presents a table showing the production of coal in Alabama in each year from 1896 to 1900. The amount increased gradually from 5,750,000 tons to 8,500,000 tons. The amount of coke produced increased from 1,700,000 to 2,000,000 tons. While there was a moderate increase in the production of pig iron and of coke, Mr. Hopkins remarks that the production of coal increased much faster. The coal is absorbed in the many industries which are arising in the neighborhood of Birmingham, such as cotton mills and foundries. (508.)

6. *Transportation agencies.*—Mr. SCHWAB says that the constituent companies of the United States Steel Corporation own their railroads from the mines to the lakes, and one railroad from the lakes to Pittsburg, and nearly all the steamboats on which their ores are transported. The boats number 112. The railroads owned amount to not far from 1,000 miles. (471.)

Mr. KING, vice-chairman of Jones & Laughlin, says that his company has an interest in a few vessels, but does not own them entirely. They carry only a small part of its ore. Its custom has been to make yearly contracts with vessel owners. There is still a considerable vessel tonnage outside of the United States Steel Corporation. (501.)

7. *Economies of combination.*—Mr. SCHWAB, president of the United States Steel Corporation, mentions first, as one of the greatest advantages of the consolidation, the ability to provide from ores owned by the several constituent companies a mixture suitable for any purpose. The United States Steel Corporation controls about 80 per cent of the Lake Superior ores; but the ores of different Lake Superior mines are of different kinds, and not equally suitable for all purposes. The Illinois Steel Company, for instance, owned some excellent ores in northwestern Minnesota; but it was in the habit of selling those ores and buying others at about the same price which would enable it to make a better mixture. The Carnegie Company was in a similar position. Through the consolidation the several interests can attain absolute perfection in the mixture of ores.

The second advantage which Mr. Schwab mentions is in transportation on the lakes. When 8 or 10 individual companies owned or leased their own fleets, ore was never carried in the most economical way, because when a boat reached a dock it had to wait perhaps a considerable time until it could be loaded with ore belonging to its particular company. Now, with all the fleet, 112 boats, under one control, it is possible to load a boat with any ore that is at hand and dispatch it immediately. Even its destination need not be determined until it is well down the lakes. Mr. Schwab adds that it is also possible to make the distribution at the other end of the lakes, over the docks and the railroads, more economically.

Another advantage is in turning each works on the product which it is best suited for by location or by other conditions. For instance, the National Steel Company was making rails at Youngstown, while the Federal Steel Company is better located for the distribution of them, and the Lorain Steel Company is better situated for the manufacture of them, by reason of its proximity to the ores. One of the first things the new company did was to put the works that are best suited to making rails entirely on them, and the works at Youngstown on other commodities.

There is a saving in the cost of superintendence. No matter how small a steel business may be it requires certain skilled men in different lines; a skilled melter, a skilled superintendent, a skilled chemist, a skilled draftsman, etc. By adopting the same methods at each of the works 1 chief chemist and 1 chief engineer can be made to take the place of several. Moreover, methods which have proved themselves the best can be applied in all the works. The steel business is one in which experiment is constantly going on for the development of new improvements. When the results of experiments tried in one place can be applied in many others a great economy and a rapid advance are effected.

Some savings can be made in selling. There are 8 or 10 selling offices in New York, each with its leased wires, its telephone wires, and other apparatus. The consolidation of these offices into one building, though not necessarily under one head, will enable various savings to be effected.

Mr. Schwab does not think that the superintendents of the several works are likely to take a less active interest in the business than they would if they were owners. Every superintendent in the Carnegie Company was individually interested in the profits of his company in some other way than through his salary. He had a percentage based on his profits, or his costs, or his output, or his quality, or whatever it was most important to develop in his particular department. Mr. Schwab hopes to conduct the business of the United States Steel Corporation in the same way. If there were, for instance, 3 open-hearth departments in the same works, most managers would put those 3 departments, making the same lines, under the management of some one good man. He never did. He put one good man at each of them, and pitted one against the other. The large consolidation will do the same thing.

In the United States Steel Corporation each head manager surrounds himself with a staff of officers who are accustomed to working with him. A man that has been trained many years in manufacturing will probably want men of business ability about him, and vice versa. The great thing is the selection of the staff and the ability to give the staff one's ideas of management. The present managers are for the most part practical men rather than business men, though both are employed. In these great consolidations of capital practical men are likely to be chosen to rule the manufacturing part of a business.

Detailed reports are received every month of the cost of operation in every department and the cost of every article manufactured. This was the method of the Carnegie Company, and it is the method of the new company. Careful comparative statements are made, and the results in one department are compared with those in another, and the managers have opportunities to make such explanations as are necessary.

Mr. Schwab thinks that there will be an economy, in that there will be a great specialization of plants, and that expenditure will be put into improvements and additions to 2 or 3 plants—for instance, for making rails—instead of into building a larger number of separate plants.

Mr. Schwab is not prepared to say whether any of the less economical plants will be closed for purposes of economy. At present all the works are running full.

Mr. Schwab has not discovered any disadvantages from consolidation. (450–452, 456, 463.)

Mr. King thinks that the chief sources of saving by a combination of iron and steel establishments are in shipping the material from the mill nearest the market and in dispensing with many high-priced officers and superintendents and consolidating the clerical force. He believes that a separate concern like his own has a certain amount of advantage in being under the control of men who largely own it,

and have a more direct personal interest in it than any salaried officer of a great corporation could have. (504.)

8. *Possibility of competition.*—Mr. KING says that a mill making 2,000 or 2,500 tons a day can manufacture as cheaply as one making 5,000 tons a day. An iron works of this capacity and of the best construction would require a capital of $20,000,000 or $30,000,000. His own company steadily progressed after the formation of the several companies which have now united in the United States Steel Corporation, and Mr. King is confident that it can still progress in the presence of the greater combination. The great difficulty for a new competitor would be to get the raw material. One must have his own mines of ore, as well as a mill equipped with modern machinery, in order to compete with the United States Steel Corporation. That company has some advantages that no competitor would be likely to have, as in the ownership of its own railroads. The profit of those roads could be counted either as railroad profit or as profit in the manufacture of steel. (504–506.)

Mr. HOPKINS says that the Birmingham district can make iron cheaper than any other place in the world, and he does think it possible that its iron business could be crushed out by competition. The Tennessee Coal and Iron Company are making very fine steel and exporting it. Before they went into the business they shipped thousands of tons of high-class iron to Pittsburg. If steel can be made in Pittsburg out of Southern iron, it can be made in the South. (511, 514.)

Mr. TAYLER says that there are several strong concerns, independent of the United States Steel Corporation, which are able and will be able to do everything that is necessary for the production of finished products in iron and steel. (603.)

Mr. WATERBURY is president of a steel company with a capital of $750,000. It is situated on Long Island. Its raw material is scrap instead of ore. It buys all sorts of scrap in New York and turns out billets and rods. Mr. Waterbury does not see how the United States Steel Corporation can interfere with it. It has a local market, and the raw material is locally produced. If the big company should reduce prices locally, the little company would have to seek a market farther off. If the big company should reduce prices all over the country, the question would be whether it could lose $10,000,000 a year longer than the little company could lose $100,000 a year. (137.)

9. *Further combinations.*—Mr. HOPKINS says that the United States Steel Corporation has no furnaces or plants of any kind south of the Ohio River, so far as he knows. If the United States Steel Corporation should absorb his company and the Tennessee Coal and Iron Company, and should put in new and improved machinery and larger and stronger furnaces, and conduct the business after the fashion of Mr. Carnegie (which is much better because of his great wealth than anything the Southern manufacturers have been able to do), the output would be increased, more labor would be employed, and the South would be benefited. If they closed up the furnaces it would not be a benefit. But he believes that if they were to put money into the South it would be to build up and not to tear down. (511, 513, 514.)

Mr. SCHWAB does not think it possible to form a world combination in the iron and steel industry. (465.)

B. The iron and steel industry generally.—1. *New uses for iron and steel.*—Mr. BUTLER, a jobber of iron and steel, says that, speaking of his particular branch of the business, heavy plates, more plates are used in building cars to-day than would be represented by the entire production of steel plates 10 years ago. (496.)

2. *Function of the middleman.*—Mr. BUTLER does not think that the middleman or jobber can be eliminated from the iron trade. He is a buffer between the manufacturer and the consumer. He supplies the unexpected and the occasional want. He is the banker; he enables the manufacturer to operate when there is a sudden cessation of orders, and he enables the consumer to have his wants supplied regularly. He is the fly wheel of the business. Yet in another connection, and considering as middlemen all who stand between the primary producer and the ultimate consumer, Mr. Butler attributes to the speculative purchases of middlemen the excessive fluctuations of iron and steel prices. (487, 488, 495.)

3. *Advantages of large-scale production.*—Mr. HOPKINS says that an important advantage of production on a large scale is this: If a company has 6 or 7 furnaces, it can pay a man, say, $6,000 a year to superintend them, and at the same time have foundrymen to look after the details of each. If there were only one furnace, it would have to be managed by a cheaper man. (509.)

4. *Iron manufacture in the South.*—Mr. HOPKINS, president of the Sloss-Sheffield Iron and Steel Company, Birmingham, Ala., says that there are about 10 makers of pig iron in Alabama. His company competes not only with them, but also with the iron makers of Ohio and Pennsylvania. When it was thought that Lake Superior ore was to be $5 a ton, his company was able to ship pig iron very freely into Ohio and

Pennsylvania. He thinks that it was a surprise to everybody when the United States Steel Corporation consented to a price of $4.25 a ton. That permitted the independent furnaces in the valleys to make iron cheaper, and Mr. Hopkins's company, while not exactly shut out of that region, can ship to the West at a better price. There is a difference of about $3 a ton in market value between Southern pig iron and that of the Mahoning and the Shenango valleys. (511, 513, 516.)

Mr. Hopkins presents a table showing the production of pig iron in Alabama in each year from 1896 to 1900. There was a gradual increase from 922,000 tons to 1,156,000 tons. (508.)

Mr. Hopkins says that it would not take many new industries in the South to use up the pig iron that is now produced there. The new steel mill of the Tennessee Coal and Iron Company will take 700 tons of the 1,000 tons a day that it produces. There is a very successful stove concern at Sheffield, Ala., and similar industries are going up all through the South. (511.)

5. *Prices.—a. Fluctuations.*—Mr. Butler calls attention to the extreme fluctuations to which the iron and steel market is subject. For instance, steel bars have sold in Chicago at the following prices per ton of 2,000 pounds: In 1898, minimum $19; in 1899, maximum $45; in 1900, minimum $22; in 1901, up to May 16, maximum $33.

During these great fluctuations Mr. Butler doubts whether the actual consumption increased or diminished more than 15 per cent. It was the speculative buying of the middlemen which caused the increase of demand upon the manufacturers and the consequent increase of price. Mr. Butler includes among the middlemen, in this connection, all who stand between the producer of steel and the ultimate purchaser of the finished product. He includes, therefore, the country storekeeper and the country blacksmith as well as the great manufacturer and the great jobber. As soon as there is thought to be a prospect of good times and a probability of an advance, every one of these buyers, small or great, rushes in to anticipate the advance. If the blacksmith normally carries 1 ton of iron he buys 2 tons, and the same process goes on all along the line. When uncertainty and doubt come everyone buys from hand to mouth. The demand upon the producers of raw material falls off sharply. During the rush they have been unable to fill their orders. Now they are unable to run their mills. But the great variation in the demand is almost entirely speculative. Consumption goes on nearly at the same rate. Large consumers are affected by these variations of price, but the small consumer pays the same for shoeing his horses, or repairing his farm machinery, whether steel billets at Pittsburg are high or low. (487–489, 496.)

Mr. King says that during the last 5 or 6 years prices have generally been extremely low, and in many years have been quite unprofitable. A boom occurred early in 1899, following the long depression. Prices for bar steel went up to 2½ cents a pound. As an inevitable result, the reaction came in the spring of 1900, and prices went below 1 cent. During the period of depression the business was scarcely profitable. Prices are probably $5 or $6 a ton higher now than in 1897 or 1898. It would require an average of 8 or 10 years to bring the manufacturer's profit to a point where he could live. (501.)

b. Structural steel prices.—Mr. King names 6 principal manufacturers of structural steel. There are several others making some sizes, but no other that makes a full line. Though there was a great scarcity of structural material a year or two ago, because of the strong demand, the price did not go as high as the price of competitive material; that is, material that everyone makes, like bars. It is true that some manufacturers asked a higher price for very prompt shipments. If one goes back 12 or 15 years, the price was considerably higher than that of ordinary competitive material; but the cost is greater. There is no difference of price between building structural steel and bridge structural steel. (502.)

c. Agreements.—Mr. King says that as far back as his recollection goes manufacturers have at different times had more or less consultation regarding prices. There have been gentlemen's agreements, but nothing that he would call pools. The rail business should perhaps be excepted. In it there have been agreements restricting each manufacturer to a certain per centage of the output. Outside of rails there has been no such allotment, nor any limitation of output or division of territory. There have been simple agreements to maintain prices. They have not been enforced by any forfeit. They do not last unless the market conditions are in their favor. If prices are advancing they stand; if prices fall, they go to pieces. (501, 502.)

Mr. Butler states that trade agreements or combinations in iron and steel have always been connected with upward movements of value, but he does not consider that they are properly the cause of such movements. They are rather the formal and public announcement of an advance which arises from the conditions of the market. Those who have entered into such agreements have had in view very moderate and reasonable profits. But manufacturers and other buyers, scenting higher

prices in these combinations, have increased their purchases in a speculative way, and thereby have caused the advance which they have anticipated. The abnormal demand creates a supposition that the stocks of the country are exhausted. Prices advance in spite of the efforts of the producers. Increased competition follows, overproduction results, profits disappear, and the combination goes to pieces. Then, under stress of low prices, new economies in manufacture are introduced and new forms of consumption are developed. Prices again advance and new trade agreements are entered into. Up and down prices go, and ever will go; but after every upward wave there has followed a lower level; lower, Mr. Butler thinks, than if there had been no combination. The combination calls public attention to an increase of profits which is presumably great, and the resulting competition and the ultimate fall of prices are greater than they would have been without the combination. (488.)

d. Effect of combination.—Mr. KING, vice-chairman of Jones & Laughlin, thinks that the chief effect of the formation of the United States Steel Corporation on prices will be to prevent the great and harmful rises and falls in the market. He believes that the average prices of iron during the next 10 years will not greatly differ from the average of the last 10 years, but that there will not be as many fluctuations. (505.)

Mr. SCHWAB states that since the formation of the United States Steel Corporation prices have remained the same, and he thinks the tendency will be to somewhat lower prices. He does not think that prices will be raised unless conditions of cost make it necessary. These great companies are interested in seeing their works running full, and they try to keep prices on a basis which will keep them running full. If prices go too high, consumption drops off. Since the organization of the several large companies which are now consolidated in the United States Steel Corporation prices have been both very low and very high. This has been the result of supply and demand. The tendency of the organizations, Mr. Schwab thinks, is to keep prices moderate. While he seems to admit that the chief benefit of the savings of consolidation goes to the stockholders, he believes that there is likely to be an advantage to the consumer in the long run. (453, 454.)

Mr. Schwab does not think that the control of 65 or 75 per cent of the steel industry will enable the United States Steel Corporation to dictate prices. A man owning 30 or 40 per cent can usually collect about him enough people who think as he does to determine a policy; therefore 70 per cent can not absolutely fix a policy. In times of great depression the company will be unable to fix prices with a control of anything like 70 per cent. It is when the demand is such that everybody can run full that better prices can be got, and that would happen if there were no consolidation. (455, 465.)

e. Competition a sufficient regulator.—Mr. HOPKINS thinks that competition will prevent any unfair profits in the iron and steel business. (513.)

f. Effect of high prices.—Mr. HOPKINS says that what constitutes a fair profit depends upon the supply and demand. Mr. Hopkins believes that high prices for iron products are advantageous to the public. If you ask a man who is complaining about combines and trusts and the high price of steel rails, you will probably find that the high price of steel rails does not injure him; and everybody in the country is more prosperous when rails are $26 than when they are $14 or $16. (513.)

6. *Freight rates.*—*a. Discriminations.*—Mr. SCHWAB asserts that neither the Carnegie Company nor any of the constituent companies of the United States Steel Corporation has any special contracts with the railroads, or pays lower freight rates than all competitors pay. The present condition of railroad affairs is, fortunately, one of uniform charges. (470.)

Mr. HOPKINS says that his company pays the published tariff rates, and he does not know of any freight discriminations at the present time. His company sometimes feels that if it ships a good deal of iron over a road, the road ought to favor it with reference to a coal contract, or the like; but there is no understanding about such things. (515, 516.)

b. Variation.—Mr. HOPKINS says that when pig iron has been very high the railroads have advanced the rates from Birmingham, Ala., 50 cents a ton to Mobile and 50 cents a ton to the Ohio River. The rate to the Ohio River has ranged from $1.75 to $2.75. At the time of Mr. Hopkins's testimony it was $2.25. If iron is high and the country is prosperous, the railroad will, very properly, get a little more money. (516.)

c. From the South.—Mr. HOPKINS is not inclined to complain of the rates to the Northeast, though he can not now sell iron in that region. If he had a furnace in Buffalo, he would expect to get a lower rate than that from Birmingham. (516.)

d. Rail and water.—Mr. HOPKINS says that all his shipments to seaboard points are made by rail and water. They could not be made otherwise. From Savannah

and all coast points the rate would be $3.75 to New York, and $3.85 from Florence, Ala., as against $5.54 by rail. (516.)

7. *Tariff.*—*a. Iron and steel.*—Mr. SCHWAB says that on lines of steel in which labor does not form an important part of the cost we have reached a point where we do not need the tariff. The tariff could be taken off rails, for instance, without hurting the United States Steel Corporation, except as to the trade on the Pacific coast, where rails can be carried as ballast from England, while the cost of shipping them overland from the Eastern United States is far higher. But if the tariff were removed from more highly finished products like tin plate, into which labor enters more largely, either the trade would be lost or wages would have to be cut down. This applies to the wages of both skilled and unskilled labor, but especially to those of the skilled. We are exporting billets and rails and things of that sort, but not tin plate. (456.)

Mr. Schwab does not, however, wish to see the tariff revised. He thinks it unwise to disturb the matter. On goods which are of a high class and on which much money is expended for labor we ought to have a tariff to protect the labor. It is often forgotten that while there may appear to be only 50 cents worth of labor in $5 worth of steel, everything that goes into the finished product has had labor expended on it at some time, and labor is the one really important item of cost, aside from whatever value is set upon the raw materials in the ground. He does not see that the repeal of all duties on steel products would do anyone any good. It would not hurt anybody in those lines where we do not need a tariff, and in those lines where we do the only people it would hurt would be the working people. (466.)

Mr. HOPKINS, president of the Sloss-Sheffield Iron and Steel Company, of Birmingham, Ala., would not complain if the tariff were taken off iron. If there were no tariff, it would cost $2 a ton at least to get iron from Middleboro, in England. It is true that to the seaboard iron could probably be sent more cheaply than from Birmingham. While Mr. Hopkins would not complain at the removal of the tariff on his own product, he does not think the tariff ought to be disturbed or even discussed. "If you discuss it on one article, you will discuss it on others right along the line. It is largely sentimental, and I think tariff agitation would be very harmful." (516.)

Mr. BUTLER, a jobber in iron and steel, dealing especially in boiler plates, bar iron, and heavy sheets, is under the impression that we have reached a point where the tariff ceases to be of any service to us. Iron and steel can not be produced in Europe nearly as cheaply as here. We have been free exporters during the last 2 or 3 years. Mr. Butler's own firm has shipped steel tanks to the South African mines in competition with European producers. American competition is very easy on engines, machinery, and all things of that kind. In certain forms of sheet steel, however, in the lighter weights, involving a great deal of hand labor, prices are higher here than in England. (493, 494.)

b. Ore and scrap steel.—Mr. KING says that imported iron ores are used to some extent near the seacoast. They come principally from Cuba; some from Spain. He believes no scrap steel is imported at present. If the tariff of $4 a ton were removed, scrap might be used to a greater extent in the Eastern section of the country, but the railroad freight would prevent the use of it in the Pittsburg region in any case. The tariff on ore, 40 cents a ton, is so small that the removal of it would not be likely to reduce the price of Lake Superior ore nor to enable Eastern manufacturers to ship into the West. He does not think the change would have much effect upon the general situation in the United States. At the same time he does not think the import duty should be repealed or even reduced, because, while it seems largely a dead letter at the present time, "the time will come when it will be just as necessary as it has been in the past to protect the American manufacturer and the worker." To the suggestion that the New England machinery makers would be better off if they could buy steel from establishments close at hand, he replies that they have thriven abundantly in the past, and he thinks they will continue to thrive under the same conditions. If they have to pay freight on their bar steel, they usually sell their manufactured product right at home. If they ship some machines to the South, where the outgoing freight is a factor, "they manage to sell them." Jones & Laughlin ship a quarter of their product to the east of Pittsburg. They would feel that they were in very bad shape if that quarter of their business was cut off. The greatest good to the greatest number ought to be the basis of tariff legislation. (499, 506, 507.)

Mr. SCHWAB does not think that his business would be injured if all iron ore were admitted free of duty. Indeed, ores are practically free now; that is, any manufacturer of steel will probably export enough finished steel to get a rebate of the duty on his imported ores. Free ore might have some effect upon the mines in the Eastern district, as in New York, but the great bulk of the supply must come from the North-

west in any case, and would not be affected. The Maryland Steel Company, being on the coast, would undoubtedly be affected favorably by free ore, but Mr. Schwab still maintains that in practical effect ore is now free.

He says much the same as to the duty on scrap iron. His company has imported some scrap from Canada, but has shipped enough steel out to get a rebate on it. The quantity is so trifling in any case as scarcely to affect the general situation. (457, 458, 466.)

c. *Possibility of steel manufacture in New England.*—Mr. King does not think it likely that steel works could be successfully set up on the New England coast, even if the duties on iron ore, scrap iron, and steel were removed. The ores of Nova Scotia are not suited for making Bessemer steel, though open-hearth steel might, to a certain extent, be made. However, he does not think that the Nova Scotia coal, or any foreign coal, could be used, because it contains too much phosphorus and sulphur. (506.)

Mr. Schwab thinks it possible, though hardly likely, that the tariff on scrap iron may do some local injury on the Atlantic coast, by preventing the starting up of some manufacturing industries there. (458.)

8. *Export trade.*—*a. Expected increase.*—Mr. Schwab thinks that the export business in steel will be greater hereafter than it has been, because some of the smaller companies which are now in the United States Steel Corporation had not been organized to conduct an export business. It would not have paid them, because the percentage which they would have exported would have been so small. Now, through a consolidation of foreign agencies, they will be able to export. The Carnegie Company has exported 70 per cent of all the steel exported from the United States. (455, 465.)

b. Export and domestic prices.—Mr. Schwab declares that it is true that exports are made at much lower prices than domestic sales. The reason is that these export sales are made in order to keep the works running full and steady. When manufacturers have as much as they can do at home they do not care to sell at low prices; but when business is slack they take orders, even at a loss, in order to keep running. It is very difficult to start an export business, and when it is once started one does not want to let it slip. So, even in prosperous times, some export business may be done at low prices merely to keep in the market. Again, a contract may be made when there is a prospect of poor business which may have to be filled when business is better. For instance, when the demand for steel fell off in the spring of 1900, and American manufacturers thought that a protracted period of dull business was coming, Mr. Schwab contracted to ship a great deal of steel abroad; and when a great home demand immediately arose it was almost impossible to ship it. That was one of the risks that a business man has to take to insure his works running full. He had rather be sure of running his works full at a known loss than not to run them at all.

Mr. Schwab considers the working people the chief beneficiaries of all measures taken to increase export business. The sellers of supplies will generally make specially favorable prices for goods to be used in the export trade; the railroads will carry export goods cheaper; but the working people get the same on export products as on those for the domestic market. While the export business is profitable for this country by reason of its raw material and its superior facilities for manufacture, Mr. Schwab seems to doubt whether it would be possible to maintain existing wages if all business were done at export rates.

Mr. Schwab asserts that the making of especially low prices for export trade is a general practice, not only in America but in Europe. American steel has, to be sure, in times of extreme depression, been sold as low in the American market as it has been sold in the foreign markets; but it was sold without profit. When business is in a normal condition export prices are always somewhat lower than home prices. (454, 455.)

Mr. Schwab states that when steel rails were $26 and $28 a ton at home the export price was about $23. Export prices are not uniform; they vary with the competition. (464.)

Mr. Butler, a jobber in iron and steel, says that his house does some export business, and it has made distinct efforts during the last 2 or 3 years to get special prices for export business, but has not succeeded. At the same time it is in accordance with the general principles of business to give lower prices for foreign trade. In this connection any trade is foreign which is outside of the normal territory of the seller. Chicago merchants, for instance, sell cheaper in Omaha than in Peoria, because they have to meet there the competition of St. Louis and St. Paul. Probably they will sell cheaper in Denver than in Omaha, and cheaper in San Francisco than in Denver. If a Chicago merchant wants to get business in Portland, two methods are open to him. He may send a salesman there at very great expense or

he may give a reduction in prices to the dealers there. Either way the expense comes out of the profits. (493.)

Mr. HOPKINS, president of the Sloss-Sheffield Iron and Steel Company, says that his company has been getting about the same prices on its export shipments as on its domestic sales. He does not think, however, that this will be the best policy for the future. Rather than shut down any American mills, it would be well to let the English and the Germans have the iron at a low price. "If I had a surplus of iron I would sell it at a fair profit. I would not sell it at a price that did not net me a fair profit." (512, 513.)

Mr. KING, vice-chairman of Jones & Laughlin, says that his firm does no exporting of any considerable amount. Such exports as it has made have generally consisted of some specialties in the more highly finished state, like cold-rolled shaftings. It generally sells delivered at the foreign port. The prices have been, during the last year or two, perhaps a dollar or two a ton below the domestic price; and most of that is made up by the greater cost of delivering to the foreign market. If one sells abroad he must meet the foreign price; and it is better, if the manufacturer has a surplus that can not be sold in this country, to sell it abroad, even a little cheaper, and save the loss that would result from limiting the output. (502.)

c. Export freight rates.—Mr. HOPKINS, president of the Sloss-Sheffield Iron and Steel Company, says that his company at Birmingham, Ala., ships abroad by way of Mobile, New Orleans, and the Atlantic ports. The railroad rates on export shipments at the time of his testimony were $1 a ton to Pensacola and Mobile, $1.40 to New Orleans, and $1.25 to the South Atlantic ports. Under ordinary conditions it has been possible to get a through export rate from Birmingham, Ala., to Liverpool, of $3 to $3.25, and to the principal ports on the continent of Europe, of $3.25 to $3.75. (512.)

Mr. KING says that, generally speaking, the ocean freight on steel to English ports is 1½ to 2 times the rail freight from Pittsburg to the seaboard. (502.)

d. Exports from Alabama.—Mr. HOPKINS, president of the Sloss-Sheffield Iron and Steel Company, presents a table giving the total export business of his company. It began in 1894 with 100 tons. It rose to 57,000 tons in 1898, and was 27,000 tons in 1899 and 40,000 tons in 1900. Mr. Hopkins explains the large exports of 1898 by saying that it was just at the beginning of the awakened demand all over the world, and his company was making iron cheaply, because labor had not received any advance. Though prices were not as high as now, there was hardly any market in this country, and the company shipped abroad. The total exports from the Birmingham district in 1899 were 167,000 tons of pig iron and 12,000 tons of pipe. There had been very few export shipments in 1901 up to the time of Mr. Hopkins's testimony, May 18. (512.)

C. Labor in the steel industry.—1. *Wages.—a. Rates and changes.*—Mr. SCHWAB, formerly president of the Carnegie Company, says that the average wage received by the employees of the Carnegie Company since 1892 has been greater in each year, even during the depression of 1893 and 1894, than it was in any year before 1892. The highest wages are not so high as they were. Before 1892 Mr. Schwab has known individual men to draw wages exceeding $100 a day. Mr. Schwab does not know what the present maximum is, but it is not nearly half that. The average wage, however, earned by every man and boy employed at the whole works (and there are a great many boys and a great many foreign laborers), excluding salaried men, and reckoning every man and boy for every working day, whether he worked or not, was during 1900 nearly $4 for every day in the year. The lowest wage paid to men is $1.50. That is for common laborers, largely unable to speak English and unable to take any position requiring anything but the commonest manual work. The proportion of men who get as low wages as this is not very large. (460, 462.)

Mr. KING, vice-chairman of Jones & Laughlin, says that wages in his company's mill decreased during the hard times of 1893 to 1895 and have risen since. They are now considerably higher than in 1891 or 1892, upon the average, though he can not give detailed figures. The highest rate now paid is $20.50 a day; the lowest $1.35 a day. In the old days, when the mill was under the Amalgamated Association, some few men made as high as $30 or $40 a day. The head rollers hired their own crews and paid them out of their own wages, but they had a handsome residue left for themselves. Jones & Laughlin have abolished this system of crews. The introduction of labor-saving machinery has diminished the pay of a few skilled men, but has distributed the wages more evenly. (503, 504.)

b. Sliding scale.—Mr. SCHWAB has no objection to a sliding scale. Wages at the rail mills at Braddock, which are nonunion, are now regulated by one. A minimum is fixed, below which wages shall not go down, so that the workingmen may not suffer because of too keen competition on the part of the company. There is no maximum. (461.)

2. *Labor organizations.*—*a. Recognition and disputes.*—Mr. SCHWAB, formerly president of the Carnegie Steel Company, says that that company had labor organizations in its steel works up to 1892, but has had none since. He does not know what part of the workingmen were in the organization, but he thinks not over 20 per cent. The effect of the organization was to fix unjustly high wages for a small minority. The association fixed a rate for rolling, in a given district, at a certain rate per ton, based on the average output of a mill. The mills of the Carnegie Company made 3 or 4 times the average output, and, in consequence, the men who worked there made 3 or 4 times what it was intended they should make. They had to be paid that rate per ton in order that the men employed in a poorer mill might make a fair wage. Mr. Schwab has known individual men to draw wages exceeding $100 a day. When this injustice was put an end to, the whole amount paid out in wages was distributed more equitably, so that, though the highest wages have been reduced much more than half, the average wages of all the workmen have been higher than they ever were before 1892. (460, 462.)

Mr. Schwab declares that the troubles that he has seen with labor organizations have never related primarily to wages. They have related to the management and operation of the works. At the Homestead Steel Works the labor associations undertook at one time to select their own foremen and to select the men who should succeed them in case of a vacancy. He does not think that any commercial business can grow and prosper under such conditions. (461.)

Mr. KING, vice-chairman of Jones & Laughlin, says that his company dealt with the Amalgamated Association of Iron and Steel Workers up to about 3 years ago, but has not done so since. It had a disagreement with the association over wages. It does not ask its men whether they are union men or not, and Mr. King can not say whether any of its employees belong to the Amalgamated Association. (503, 504.)

Mr. HOPKINS, president of the Sloss-Sheffield Iron and Steel Company, of Birmingham, Ala., says that this company deals regularly with committees of the men and recognizes the union, but employs nonunion men also. It makes no distinction between union and nonunion men. (508.)

b. Leveling effect.—Mr. SCHWAB says:

> If I were a workingman—as I was—if I was a workingman now in one of these mills, especially if managed under the broad policy under which I hope the steel manufacture is administered, I would not want to belong to a labor organization. It puts all men, no matter what their ability, in the same class of work, on exactly the same level. If I were a better workman—quicker, smarter—than the other men I would want to reap the benefit. I would not want to be put in the same class with the poorer man, which they must do. If we have 500 men employed at the same class of labor, the wages paid will be the same—must be the same paid to the same class. The level is that of the poorest man in that department. As a workingman I would not advance, and I would not be able to show superior ability over any other if I were in an organization. That is my own personal view. (461, 462.)

c. Limitation of output.—Mr. SCHWAB says that, in his judgment, one of the two chief reasons why England can not compete with America is in the unreasonable rules adopted by the English labor unions. Comparison has shown that the same machines produce only about one-third as much in England as in America. This is due to the rules of the union. Without adding much to the wages of the men it adds to the cost of production, because the capital in the plant is producing only one-third of what it ought to produce. (460.)

Mr. BUTLER, whose firm has exported some steel tanks to the South African mines, says that they were able to get that business, first, because the price of raw material in this country was favorable as compared with the price in England, but more largely because the methods of handling material in American shops are much better than in English shops. He attributes the difference to the control of labor organizations there. Their policies, he says, make American competition very easy on engines, machinery, and things of that kind. (494.)

3. *Woman labor.*—Mr. SCHWAB, president of the United States Steel Corporation, states that women are employed to do some of the lighter work in the nail factories and in some of the tin-plate factories. He has never favored the employment of women. None were employed by the Carnegie Company. He can not say what will be done in the future. (469.)

4. *Accidents.*—Mr. SCHWAB says that the percentage of accidents is much smaller in large steel works than in small ones. (463.)

XII.—AMERICAN SMELTING AND REFINING COMPANY.

A. Organization and capitalization.—Mr. CHAPMAN says that the first move in the organization of the American Smelting and Refining Company was to place options upon the various plants and businesses which it was desired to consolidate at the lowest price the owners were willing to take. The vendors were given the

right to subscribe for such proportion of the proposed capitalization of the new company as they might desire upon the same basis as cash subscribers; that is, par of subscription in preferred stock and a bonus of 70 per cent in common stock. The options were then taken over by the bankers who were financing the operation. A syndicate was formed for the raising of the capital required to purchase the properties, or such proportion of the properties as it might be necessary to purchase in excess of the amount taken by the vendors of the properties. The syndicate was organized under a subscription agreement. When the subscriptions were paid the amount was deposited in the trust company. A contract was made by the new corporation with an individual designated by the syndicate managers for the transference to the new corporation of all the property rights and franchises of the companies whose properties were taken over, and for placing in the treasury of the new company an agreed amount of cash to be used as working capital. Expert accountants were employed to examine the books and accounts of the vendor companies to determine the reasonableness of the prices paid for the properties, and attorneys were employed to examine the titles and to prepare the proper deeds and conveyances. The vendors received checks for the entire amount of their purchase money, and immediately handed back to the syndicate managers checks for whatever amounts they had subscribed for upon the same basis as other subscribers. The syndicate subscribers and the vendors received for each $1,000 of subscription 10 shares of preferred stock and 7 shares of common stock. (93, 94.)

Thirty per cent of the common stock was given to those who had been instrumental in bringing the companies together or in figuring out the proper basis for the purchase of the properties, etc. This amount covered all of the expenses of organization and all of the pay of the different parties concerned in effecting the organization. (94, 95.)

The authorized capital is $32,500,000 of preferred stock, carrying a 7 per cent cumulative dividend, and $32,500,000 of common stock. Upon the organization of the company $27,400,000 of preferred stock was issued. This amount represented the tangible assets of the properties taken over. A like amount of common stock was issued. The common stock represented what might be called the "good will" of the constituent companies. A great many patents were owned by the various vendor companies and constituted valuable assets. Many of the companies had special methods of treating ores. These, too, were valuable. It is impossible to say whether $27,400,000 in cash would have purchased the properties taken over. Some of the vendors undoubtedly took into consideration the fact that they would have an opportunity to subscribe for the stock of the new company on the same basis as cash subscribers. (94, 95, 96.)

Mr. Chapman says that the method of organization employed in the case of the American Smelting and Refining Company is the usual method, and is the one which has been followed in practically all the combinations with which he has been connected. There have been some combinations effected where the purchasing company took over the capital stock in the vendor companies and undertook to make a combination in that way, but the plan followed in the case of the American Smelting and Refining Company is the later and the better way. (95.)

B. Earnings.—Mr. CHAPMAN states that the net earnings of the company, according to the report of the president for the year ending October 31, 1900, exceeded $4,500,000. Dividends at the rate of 7 per cent have been paid on the preferred stock, the total amount paid being a little over $2,000,000. No dividends have been paid on common stock. (99.)

C. Reasons for combination.—Mr. CHAPMAN says that the company was formed because evils had grown out of competition and because of the anticipation of economies which could be effected in transportation charges through combination. (93, 98.)

D. Economies effected—freight.—Mr. CHAPMAN says that the smelters of various States would buy ores at distant points and have them shipped long distances. Through combination of the various interests it was arranged so that Montana smelters would purchase the ores of Montana, and that no ore would be shipped from Montana to other points, and that Utah and Colorado smelters would follow the same course. It was estimated that the saving in transportation charges would be over $5,000,000 per year. (98.)

E. Control of business.—Mr. CHAPMAN says that the bulk of the business of the American Smelting and Refining Company is in the smelting of silver and lead ores. The company also smelts gold ores. In some cases it buys the ore; in others it smelts it on commission. It sells its products through an agency. It does prac-

tically all the smelting business of the country, excepting that controlled by the Guggenheims. Leaving out the Mexican interests of the Guggenheims, and counting their 2 smelters in this country, the business done by the American Smelting Company is about 85 per cent of the entire smelting business of the country. There may be small concerns doing a small business for a few local men. (97.)

F. Effect of combination on prices of ore.—Mr. CHAPMAN says that it would not be to the advantage of the company to reduce the amount paid for ore. The higher the price they could pay for the ore the more mines would be operated and the more raw material they would be able to get. (98.)

G. Relations with labor.—Mr. CHAPMAN says that since the organization of the company there have been one or two strikes. One in the Colorado smelters was precipitated shortly after the organization of the company and lasted several months. The company suspended operations in the plants in that vicinity and continued their business in districts where there was no strike. (98.)

XIII. PITTSBURG COAL COMPANY.

A. Description of business.—Mr. CHAPMAN states that the 140 properties controlled by the Pittsburg Coal Company are all in Pennsylvania within a radius of 75 miles of Pittsburg. These properties include practically all of the bituminous coal mines in that part of the State except those that are owned by the Monongahela River Coal Company. That company controls all the coal mines that are situated along the rivers. Its business is principally the mining of coal and sending it by barges down the Ohio and the Mississippi. In the territory controlled by that company such coal as can be loaded on cars from any of the mines is handled by the Pittsburg Coal Company. The Pittsburg Coal Company owns docks and loading and unloading facilities at various points on the lakes, including Fairport, Erie, Ashtabula, Cleveland, Chicago, Milwaukee, and Duluth. It owns a railroad at Duluth, the Northwestern Coal Railway, and a considerable mileage of railroad in the Pittsburg district. Mr. Chapman does not think that there is any community of interest in ownership between the Pittsburg Coal Company and the Pennsylvania Railroad Company. The Pittsburg Coal Company is the largest freight producer in the world, and to that extent there is a community of interest between the railroads and the company. The company owns little of the coking coal property. It furnishes coal to the various mills of the United States Steel Company which are located in the Pittsburg district. (100, 101, 103.)

B. Organization and capitalization.—Mr. CHAPMAN states that the company was organized in a way similar to that in which the American Smelting and Refining Company was organized. The Pittsburg Coal Company was organized under the laws of the State of New Jersey. The titles to the property and real estate, however, were lodged in a corporation organized under the laws of the State of Pennsylvania, and the Pittsburg Coal Company acquired title to all of the stock in this Pennsylvania company. Each subscriber got with his preferred stock 70 per cent of common stock as a bonus. The stock issued was $32,000,000 7 per cent cumulative preferred and $32,000,000 common. (99.)

C. Reasons for combination.—Mr. CHAPMAN says that the Pittsburg Coal Company was formed because competition between the proprietors of the 140 different properties located in the Pittsburg district had gradually reduced the price of coal to a point which was in most cases below the cost of production. (99.)

D. Earnings.—Mr. CHAPMAN says that the net income of the Pittsburg Coal Company for the last year was between $4,500,000 and $5,000,000. It has paid a regular dividend of 7 per cent on its preferred stock, but no dividend on its common stock. Since organization something over $3,000,000 out of the earnings of the company has been expended in the acquisition of additional coal mines. (101.)

E. Effect of combination on prices.—Mr. CHAPMAN states that the price of coal has generally advanced since the formation of the Pittsburg Coal Company, owing to the fact that it has been impossible to meet the demand. The company is getting the same price for coal as that charged by independent companies. Large contracts are perhaps taken below regular rates. The company would for a time be able to maintain a price above what would be reasonable, but in the end that would correct itself. It would stimulate the opening of mines on lands owned by others. If the company raised the price to such a point that freight could be paid into the district from other districts it would bring in outside coal. (100, 102.)

F. Advantages to consumers.—Mr. CHAPMAN states that although the price of coal has been higher since the combination, it is stable; and there is an ample supply of coal. The small producer will sometimes be unable to supply his customers with coal, but the combination can always divert coal from one point to another and supply its customers. (99.)

G. Possibility of competition.—Mr. CHAPMAN says that the Pittsburg Coal Company controls the bulk of the lake trade in coal, but that there is some competition from southern Ohio and West Virginia. Pittsburg coal is of superior quality. There are very few producing properties in the district where the properties of the Pittsburg Coal Company are situated that are not controlled by the company. An independent company with reasonable capital could compete with the Pittsburg Coal Company if it owned coal land and could produce coal. At a time of depression, with the market glutted, it would be at some disadvantage. It would be very difficult, however, to get capital to go into the Pittsburg field with a view to competing with the Pittsburg Coal Company. (101, 102.)

H. Wages.—Mr. CHAPMAN states that wages are adjusted on a sliding scale, which is arrived at every year after a series of conferences with the United Mine Workers' Association of America, and that the miners participate in any advance in coal. There is a minimum below which wages do not go in any case. (101, 102, 104.)

I. Attitude toward labor.—Mr. CHAPMAN says that he found that the leaders of the labor organizations were fully alive to the advantages of dealing with one concern rather than with 140; that it is his understanding that labor interests are well satisfied with the combination. The Pittsburg Coal Company deals with the representatives of organized labor, and prefers so to do. There has been harmony between the company and the Union Mine Workers' Association. The most enlightened managements of industrial combinations to-day admit the right of labor to protect itself by combination. (102, 102.)

XIV. NATIONAL STARCH COMPANY.

A. Description of business.—Mr. FLINT states that the National Starch Company manufactures about all the box starch made in the United States. The sale of the starch is dependent upon trade-marks. Many of the concerns in the combination have been in existence for over 30 years and have established a reputation that is represented by their trade-marks. Starch is a very important by-product of glucose.

The papers submitted by Mr. Flint show that the National Starch Company includes the following concerns: George Fox Factory, Cincinnati, Ohio; Kingsford's Oswego Factory, Oswego, N. Y.; A. Erkenbrecher Factory, Cincinnati, Ohio; Duryeas' Glen Cove Factory, Glen Cove, L. I.; Wm. F. Piel Factory, Indianapolis, Ind.; Gilbert S. Graves, Buffalo, N. Y.; C. Gilbert Factory, Buffalo and Des Moines; Niagara Starch Factory, Buffalo, N. Y.; Excelsior Factory, Elkhart, Ind.; Sioux City Starch Company, Sioux City, Iowa; Argo Factory, Nebraska City, Nebr. (66, 67, 71.)

Mr. PIEL, president of the National Starch Company, says that his company produces probably 85 per cent and upward of the entire output of the country. (673.)

B. Organization and capitalization.—Mr. FLINT states that the first step taken in connection with the organization of the National Starch Company was the organization of a company known as the United Starch Company. The United Starch Company consolidated the manufacturers of box starch that were outside of the National Starch Manufacturing Company. A reorganization committee was then appointed for the National Starch Manufacturing Company. The holders of shares in that company were asked to deposit their shares with a trust company, subject to the orders of the reorganization committee. Over 90 per cent of the stock was deposited. The papers submitted by Mr. Flint show that the reorganization committee then negotiated with the owners of a controlling interest in the securities of the United Starch Company. As a result a large majority of the stock of that company was deposited with a committee appointed from its shareholders. Then the National Starch Company was formed, and a controlling amount of the capital stock of the National Starch Manufacturing Company, the United Starch Company, and the United States Glucose Company was acquired by the new company. The holders of stock in the separate companies were given the option of taking their pay in shares of the new company or in cash. In addition to $4,500,000 preferred stock and $5,000,000 common stock, the company issued $4,000,000 of 25-year 5 per cent sinking-fund redeemable gold debentures. Mr. Flint states that the value of the tangible

assets exceeded the amount of the bonds and the preferred stock. Each subscriber received for a $100,000 subscription $37,528.20 in debentures and $92,714.40 in preferred stock, or, at his option, $37,528.20 in debentures, $61,809.60 in preferred stock, and $61,809.60 in common stock, those subscribing for smaller or larger amounts participating in like proportion. The only advantage the promoters received was that they had an opportunity of purchasing common stock at a price which, though substantial, was such as, in case the business was unusually prosperous, would show a satisfactory return. (66, 67, 69, 72, 73.)

Mr. Flint submits copies of the agreement for the reorganization of the National Starch Manufacturing Company and reports of the committee; and the certificate of incorporation and by-laws of the National Starch Company. (67, 80.)

Mr. Piel says that the National Starch Company was formed by the consolidation of the National Starch Manufacturing Company, which controlled more than 21 factories, and the United Starch Company, which operated 4 factories. (671, 672.)

Mr. Piel declares that the National Starch Company is not overcapitalized. The bonds and preferred stock of the company represent substantially the tangible assets. The common stock represents the good will, including the brands and the special processes of the company. Some of the brands are very valuable. (673.)

C. National Starch Manufacturing Company.—1. *Organization and capitalization.*—Mr. Piel states that in the organization of the National Starch Manufacturing Company a promoting company was formed to buy in the separate plants. It is believed that this promoting company paid for the plants in cash and in the various securities issued by the National Starch Manufacturing Company. The pay of the promoters was to be taken out of the sum total of the securities issued. The National Starch Manufacturing Company had an authorized capital of $10,500,000, of which $5,000,000 was common stock, $3,000,000 preferred stock, and $2,500,000 second preferred stock. There was also an authorized bond issue of $4,500,000. Unquestionably, says Mr. Piel, the capitalization was excessive. (672, 673.)

2. *Reasons for formation.*—Mr. Piel says that the National Starch Manufacturing Company was formed because of the ruinous competition which had existed for some years, and because it was expected that economies could be realized through consolidation. (672.)

3. *Economies secured.*—Mr. Piel says that by the organization of the National Starch Manufacturing Company a saving was made through closing the poorer plants and concentrating the business in about 10 of the best establishments, which were run at their full capacity. Savings were also made through avoiding cross freights, through better organization of the traveling men and of the local agents, and through a better concentration of the managing talents of the different superintendents and heads of departments. (672, 673.)

D. Effect of combination on prices.—Mr. Piel says that the prices of starch have been more profitable to the organization than they were to the individual producers, that being due in part to the methods of production and in part to the greater ability to regulate the supply in the market to the normal demand. Mr. Piel submits a table giving the average prices of corn and starch during the years 1890–1900. (673, 674.)

E. Effect of combination on wages.—Mr. Piel says that higher wages have been paid in several departments, but that on the whole there can not be noticed much of any change, though there would probably have been an advance in the last 2 years had it not been for the fact that during the period of depression from 1893 to 1895 there was no reduction in wages. Wages are higher now than they were in the years 1888 and 1889, before the organization of the National Starch Manufacturing Company. (673.)

F. Export trade and prices.—Mr. Piel says that the company has a large export business, its market being substantially the world. It sells in practically every civilized country. The prices for export are made on substantially the same basis as the home prices. (673.)

XV. UNITED STATES BOBBIN AND SHUTTLE COMPANY.

Mr. Flint submitted copies of the prospectus, the bond-subscription agreement, and the underwriters' agreement of the United States Bobbin and Shuttle Company. The prospectus stated that the company was to be organized for the purpose of acquiring all the plants, franchises, and other assets of the following manufacturers of bobbins and shuttles: The James Baldwin Company, Manchester, N. H.; Fall River Bobbin and Shuttle Company, Fall River, Mass.; Wm. H. Parker & Sons, Lowell,

Mass.; L. Sprague Company, Lawrence, Mass.; Woonsocket Bobbin Company, Woonsocket, R. I. These concerns, it was stated, supplied bobbins to over 6,000 textile manufacturers, and did about 85 per cent of the business of the country.

The authorized capital of the company was to be $800,000 in 7 per cent cumulative preferred stock and $1,200,000 in common stock. Of this, $600,000 preferred stock and $950,000 common stock, or so much thereof as might be necessary, together with $300,000 of bonds, were to be issued for the acquisition of properties and for working capital. It was provided that the aggregate of the bonds and preferred stock issued should not exceed the actual appraised value of the tangible assets. It was also provided that the tangible assets of the properties purchased should be appraised on the basis of their actual value to the respective businesses of the manufacturers as going and operative concerns, irrespective of either book or liquidating value. In making the appraisals no allowance was to be made for the value of any franchises, labels, or trade-marks, or for earnings or output.

Mr. Flint states that an issue of bonds was made for the purpose of providing cash for the treasury of the new company and for carrying out the plan of organization. The trust company advanced funds upon these bonds and upon the responsibility of the underwriters. The bonds were then offered for sale to the public, and, when sold, the money was paid to the trust company. Before the expiration of one year the bonds were all sold and the trust company was repaid. The trust company received a commission of 1 per cent on its advance, together with interest at the rate of 6 per cent per annum. The underwriters received stock. (57–66.)

XVI. AMERICAN CHICLE COMPANY.

The memorandum submitted by Mr. Flint states that the company owns the following properties: Beeman Chemical Company, Cleveland, Ohio; Kis-Me-Gum Company, Louisville, Ky.; S. T. Britten & Co., Toronto, Ontario; W. J. White & Son, Cleveland, Ohio; J. P. Primly, Chicago, Ill.; Adams & Sons, Brooklyn, N. Y. The company produces all the standard brands of gum, and its output represents about 65 per cent of the output of the United States. There is not much export business as yet. (53, 80.)

In the organization of the company $3,000,000 in 6 per cent cumulative preferred stock and $6,000,000 in common stock were issued. There was no formal appraisement of the tangible assets, but their value was accurately ascertained. In round numbers, the preferred stock was 3 times the amount of the tangible assets and the common stock was double the amount of preferred stock. The most valuable property of the Chicle Company is its trade-marks. It has been shown that the capitalization of the company was on a conservative basis as compared with its earning capacity, since the company earns about 6 times the dividends on its preferred stock and has paid 8 per cent on its common stock, and the market price of the common stock is $80 per share. The price of preferred stock is about the same. (50, 51.)

The promoters were free to buy the properties of the separate companies at as low a price as possible and to keep whatever stock was left, out of the total issue of $3,000,000 preferred and $6,000,000 common stock, after the properties were paid for. (51.)

The subscription memorandum submitted by Mr. Flint stated that each accepted subscription of $100,000 would entitle the subscriber to $100,000 par value in preferred stock and $50,000 in common stock, subscriptions for larger or smaller amounts to participate in like proportion. (52.)

Mr. Flint says that the remarkable earning capacity of the American Chicle Company has resulted from the putting out of good goods through a long series of years. The manufacturers interested in the company had for years produced goods that the public found to be of superior quality, and they spent hundreds of thousands of dollars in advertising their products. When they came together they brought trademarks which represented the good will that they had built up. There are perhaps 30,000,000 people who want to buy the brands of gum manufactured by the company. The earning capacity is largely dependent upon these trade-marks and upon good will, and dependent only to a slight extent upon tangible assets. (53.)

XVII. AMERICAN CARAMEL COMPANY.

Mr. Flint states that the American Caramel Company manufactures only caramels. It has trade-marks for all its products. All the caramels that are widely distributed are controlled by it, but the companies which manufacture what are supposed to be the highest grade of caramels, the sale of which is limited to people who pay high prices, are not included.

The method of organization was similar to the method of organization of the rubber companies and of the American Chicle Company. The value of the business is largely dependent on the value of the trade-marks. The tangible assets are relatively larger than in the case of the American Chicle Company. (54, 65.)

XVIII.—WINDOW-GLASS COMBINATIONS.

Mr. Holt, Secretary of the Tariff Reform Committee of the Reform Club of New York City, says that the history of the glass industry for the last 20 years has been, on the part of the manufacturers, a succession of combinations, pools, lockouts, price-list committees, and agreements fixing prices and wages and limiting production; and, on the part of the labor unions, a history of strikes, wage committees, and wage-scale agreements. The result is that we usually pay double price for our glass, and both the industry and the workers are in a backward state of development. Instead of making the best and cheapest glass and dominating the world's markets, we are only partially supplying our own market, and that with inferior goods, which sell at double the price of better goods in Europe.

Instead of the workers being the most skillful and independent of any on earth, they are not as highly skilled as the Belgians, who are continually coming over to recruit our skilled-labor ranks. By means of the tariff, the manufacturers make the American consumer pay $2 for $1 worth of glass. The labor unions, by their alien contract labor laws and stringent apprenticeship rules, hold up the manufacturers and get about 25 cents out of every extra dollar wrung from the consumers. From 1880 to 1888 the American Window Glass Manufacturers' Association was in existence, and decided how many and what works should be closed, what wages should be paid, and what prices charged. Since 1880 there have been periods of comparative competition and low prices, but during such periods the trust people have been playing for a new deal and a new grip on the industry. Since 1890 the United States Company, a corporation owning 17 of the 108 plants which were in existence in 1890, has formed the backbone of the window-glass trust. From 1893 to 1895 the trust was not in good working order, and prices were comparatively low. In 1895 the American Glass Company, a selling pool for 85 per cent of the factories, was formed. This was succeeded by the American Window Glass Company, a corporation with $17,000,000 capital, which was formed in October, 1899. The estimated value of the 40 or 50 plants absorbed by this company is said by one of the organizers to have been $6,190,000. Mr. Holt quotes from the Commoner and Glass Worker of October 21, 1899, which says that "the pool is said to have made $700,000 in 1896, and $1,750,000 in 1897, and $2,100,000 in 1898." (564–566.)

The company owns factories with a capacity of 1,900 pots out of a total capacity of about 2,600 pots. It does not possess a complete monopoly; it is said to "hold the umbrella" under which new factories outside of the trust have been built and have made great profits. (565, 566.)

From 1860 to 1890, according to Mr. Holt, prices of window glass in this country declined an average of only 8 per cent, although foreign prices declined 54 per cent from 1867 to 1890. Our prices for ordinary sizes are now higher than in 1890 or in 1860. In general, prices for the last 4 years have been nearly double what they were for the previous 3 years. Prices are about double what they are in Belgium and England. Mr. Holt quotes from the Commoner and Glass Worker of October 21, 1899, to the effect that the price of glass at that date was fully double what it had been in 1893. Prices were comparatively low early in 1900, but advances were made later, and prices are now about back to the high level of 1899. In no other industry, perhaps, are prices adjusted to the cost of imported goods with such precision. The prices at interior points are higher than on the seaboard. Customers at Pittsburg, in the shadow of the factories, had to pay 14 cents per box more for ordinary window glass than customers at Boston, and 20 cents more than Pacific coast customers. The country was divided into 6 districts, and the prices for each were determined by the cost of the imported glass in each district after payment of duty. (565, 566.)

Mr. Gunton says that the price of foreign glass has risen since 1880, while the price of American glass has fallen. The glass trust was formed in August, 1899, and since the formation of the trust the rise of prices in this country has been 16 per cent, while the rise of prices abroad, where there is no tariff trust, has been 22 per cent. Mr. Gunton submits a table, giving the average prices of domestic and foreign window glass, in 5-year periods, from 1880 to 1900. (631.)

Mr. Holt says that during the last 2 years, since the window-glass trust has been formed, and since the workers have had an agreement with the manufacturers, the factories have been closed an average of 5 or 6 months each year. The workers

recognize that that is the only way of sustaining the manufacturers' profits and the present rate of wages. The workmen share in the tariff profits of the industry and ally themselves with the manufacturers against the whole consuming public. Many of the leaders of the workingmen in the window-glass industry say that it would be better for the workers if they could work as ordinary workmen; that is, at a somewhat lower wage, but continuously. (579.)

XIX.—BORAX CONSOLIDATED WORKS, LIMITED.

Mr. Holt says that the borax trust is a world trust, and consists of an amalgamation of the 12 principal borax producers and refiners in the world. According to the Oil, Paint and Drug Reporter of January 30, 1899, nearly the whole supply of the world is obtained from them. (567, 568.)

The principal borax mines of the world are in California and Nevada, in Asia Minor, Peru, and Chile. The largest, most easily worked, and most productive mines in the world are those in California. They were discovered in 1856, but not much worked until 1873. Because of the limited area in which the mines are found and the difficulty of reaching and operating them, it is but natural that they should fall into a few hands and that the few owners should combine to prevent competition. As early as 1878 an agreement was entered into between the California producers by which production was to be curtailed. A more formal combination was formed in 1879. In 1885 the borax board, including about all the producers upon the Pacific slope, was organized. In 1890 the Pacific Coast Borax Company absorbed nearly all the producers. This company has usually worked but 1 or 2 of the 10 or 12 mines which it owns. Prior to the latter part of 1894 there was an understanding between the foreign syndicate, which controlled the European market, and the Pacific Coast Company, so that the latter was left to the enjoyment of the American market. After the reduction of duties in 1894, our producers began an aggressive warfare on the foreign monopoly. In June, 1896, the Pacific Borax and Redwood's Chemical Works, Limited, was incorparated in England with a capital of $2,550,000 and $500,000 in bonds. It took over the business and properties of the Pacific Coast Borax Company, and of Redwood & Sons, chemical manufacturers in England. In 1899 a new combination, the Borax Consolidated Works, Limited, with a capital of $7,000,000, under the control of the California producers, was formed. The prospectus issued at the time of the amalgamation of the Pacific Coast Borax Company and Redwood & Sons stated that the earnings of the 2 companies (the Pacific company being by far the larger) were $446,000 in 1892–93, $405,000 in 1893–94, and $267,000 in 1894–95. The reduced profits of 1894–95 were due to the reduction in the price of borax by the American company. (567, 570.)

Labor in the borax industry.—Mr. Holt states that practically all the labor employed in the borax beds when the Wilson law was under discussion was Chinese and Indian, hundreds of the laborers working for $1 a day. (570.)

XX.—CLEVELAND AND SANDUSKY BREWING COMPANY.

Mr. Chapman says that the method of organization of the Cleveland and Sandusky Brewing Company was similar to that employed in the other companies with which he is connected, except that bonds, as well as preferred and common stock, were issued. Only American capital entered into the capitalization. Brewers took about 50 per cent of the stock. The company sells its beer outright to the retail saloons. It owns a great deal of real estate where the saloons are situated. To some extent the brands of the different concerns have been retained under the combination, but the great bulk of beer is sold under the general name. Through the consolidation, the cost of delivery of goods has been enormously reduced. Formerly each brewer delivered beer to every part of the city; now the deliveries from each brewery are confined to the portion of the city in which the brewery is situated. (104, 105.)

XXI.—BROOKLYN UNION GAS COMPANY.

Mr. Chapman states that in organizing the Brooklyn Union Gas Company the franchises of 7 different gas companies in the city of Brooklyn were purchased. Each of the companies was bought with all its rights, privileges, and franchises. Those effecting the consolidation had to go into the market and purchase the stock from the owners. When two-thirds of the stock of each of the companies had been acquired an agreement was made for the organization of another company, the Brooklyn Union Gas Company, to take over the separate companies at a consideration

which had more reference to the cost of the properties in the market than to their value. The Brooklyn Union Gas Company issued $15,000,000 in bonds and $15,000,000 in common stock. Privileges, franchises, extent of business done, and that sort of thing were taken into consideration. The properties had become very valuable. For some of the stock which was bought in open market $400, and in one case $500, per share was paid. (104–106.)

XXII.—STANDARD OIL COMPANY.

The following (excepting statements taken from the testimony of Mr. Gunton) is a summary of certain affidavits in confirmation or in rebuttal of testimony contained in Volume I of the Reports of the Industrial Commission.

A. Prices as affected by competition.—Mr. LEE, president of the Pure Oil Company, states that a comparison of the price of oil in March, 1896, in New York, as given by Mr. Archbold, with the average price for March, 1898, as given by him, is confirmatory of the deponent's statement that there was a rapid reduction in price after the Pure Oil Company began the sale of oil in the city of New York. The price given by the deponent as the average price for July, 1898, is correct, and Mr. Archbold, in giving a higher price as the price for July, included all the business of the Standard company for that month, and included not only the sales made in July, but previous contracts for July, some of which were possibly made before the Pure Oil Company began business. (660.)

Mr. LOCKWOOD, a producer of petroleum at Zelienople, Pa., presents sworn evidence and statements from the export books of the independent refiners to prove the truth of the statement previously made by him that competiton was putting refined oil into tank steamers for the competitive markets of Germany for 2 cents a gallon, while the Standard was forcing the people of Texas and Arkansas to pay 25 cents a gallon for oil. He quotes from the export books of the independent refiners, giving pages and dates, to show that at various times during the year 1894 oil was sold for export to Germany at prices which netted the refiners from 1.9275 cents per gallon up to 2.7 cents per gallon. He also presents sworn affidavits from several citizens of Texas stating that in April and May, 1901, they were paying 20 cents per gallon for oil, and that that was the regular price charged for oil at that time. In one of the affidavits presented it is stated that the deponent, for a period of 7 years next preceding the year 1898, had paid 25 cents per gallon for oil. He also presents a sworn affidavit from a former citizen of Florida, stating that from 1885 to 1890 he paid not less than 25 cents a gallon for oil, and that that was the usual retail price for oil at that time in that State. (652, 653, 656.)

Referring to the affidavit of Mr. Lockwood, Mr. ARCHBOLD states that Mr. Lockwood simply shows that the independent refiners exported oil which, after deducting commissions and other expenses, netted the refiners something over 2 cents per gallon. This is very far from proof of the assertion that oil is put into tank steamers for Germany at 2 cents per gallon. In reference to the prices of oil in Texas, Mr. Archbold states that the affidavits submitted by Mr. Lockwood showed that 20 cents per gallon was charged for oil in Texas, but did not show how many middlemen's profits had been added to the wholesale price. That was the retail price in a remote section. Oil transported such a distance in cans is not expected to be the cheapest. (669.)

Mr. GUNTON says that the Standard Oil Company has not practiced extortion on the public. It gives the public just as much for a dollar as any competing refinery gives. There are nearly a hundred competitors of the Standard Oil Company, and there is not one of them that sells oil any cheaper than the Standard Oil Company. (637, 638.)

B. Effect on crude-oil market.—Mr. GUNTON says that the Standard Oil Company fixes the price of crude oil in this country. The company buys all the crude oil there is, no matter how much or how little there may be. It pays the same price to everybody. If the stock on hand is getting too large it lowers the price, and keeps on lowering it, if oil continues to come, until it does not pay to sink more oil wells. On the other hand, if the stock on hand is getting low, the company raises the price. There was no universal price in oil previous to the formation of the Standard Oil Company. The pipe lines never worked together. (635, 636.)

Mr. Gunton declares that the Standard Oil Company has been a positive benefit to producers of oil. The company pays the oil producers more for their oil than anybody else could give them, and more than they could obtain if they took the oil to the market themselves. The evidence of this is that all the producers are glad to sell to the Standard Oil Company, and many of the small producers say that it would not pay

them to market their oil themselves, and that they have never done so well as since they have sold their oil to the Standard Oil Company. The Standard Oil Company has reaped a benefit also, because, by reason of its superior facilities, it is able to utilize the oil to great advantage and to refine it at a lower cost than anyone else can. (636.)

C. Competitive methods.—Mr. GUNTON says that it is not the general practice of the Standard Oil Company to follow the small producer into a given market and undersell him in that market. That has been done here and there, but in the case of those refining concerns which have $1,000,000 or $2,000,000 of capital, prices are fixed by nothing of that kind. (638.)

D. Railroad discriminations.—1. *Contracts for discriminations.*—Mr. LLOYD, author of "Wealth Against Commonwealth," says that the official publications of Congress and of the State of New York show that the South Improvement Company had contracts with the railroads of the oil regions binding them in substance:

First. To increase the oil freight rates.

Second. Not to charge the South Improvement Company with the increase.

Third. To collect the increase from its competitors.

Fourth. To put the rates of freight up or down as might be necessary to overcome its competitors.

Fifth. To spy out the details of the business of its competitors, and make reports to the South Improvement Company of all shipments made by these competitors, with full reports as to how much they shipped, to whom, etc. (640, 641.)

The identity of the South Improvement Company and the Standard Oil Company is shown by the fact that 10 of the 13 members of the South Improvement Company were active members of the Standard Oil Company, among them the president and a majority of the directors. The New York assembly committee of 1879 officially stated that the controlling spirit of both organizations was the same. (641.)

Mr. Lloyd further states that official reports, such as the decision of the supreme court of Ohio in 1885, show that the Standard Oil Company made contracts with various railroads similar to the contracts which had been made by the South Improvement Company for the making of freight discriminations by the roads. A decision of the supreme court of Ohio revealed the fact that in 1875 the Standard Oil Company secured a contract from the Lake Shore Railroad to the effect that the road should keep the price of transportation "down for the favored customers, but up for all the others," the effect of which contract was to enable the Standard Oil Company to establish and maintain an overshadowing monopoly. Because of this contract the company was enabled to make a contract with a firm of Cleveland competitors, by which that firm was put under bond to refine only about half of its capacity for the ensuing 10 years. That such a contract was made is shown by the exhibits, affidavits, and decisions in the case of The Standard Oil Company *v.* W. C. Schofield et al., which was decided in Ohio in 1880, the court setting aside the contract as unlawful and in restraint of trade.

Testimony taken by the Interstate Commerce Commission in Boston in March, 1898, seems to show that the Boston and Albany Railroad was underbilling cars of the oil trust to such an extent that in some cases half of such shipments within Massachusetts went free. Evidence taken in an investigation made in the early part of 1900 by the Canadian Parliamentary Committee seems to indicate that the Canadian railroads had been putting the price of transportation "down to the favored customers and up for the others." "Wealth Against Commonwealth" quotes from the reports, decisions, and testimony of the Interstate Commerce Commission, showing that the principal matters litigated before the Commission have been discriminations made by the railroads to the profit of the oil monopoly; that the cases referred to cover the oil business on practically every road of any importance in the United States, and on the steamship and railroad association controlling the South and Southwest; and that from ocean to ocean, and from the Gulf of St. Lawrence to the Gulf of Mexico, wherever the American citizen seeks an opening in this industry, he finds it a privilege of a few and shut against the common people. (641, 642, 645.)

2. *Pennsylvania Railroad.*—Mr. LLOYD states that in "Wealth Against Commonwealth" is reproduced the final finding of the New York assembly committee of 1879 that, in 1877, the railroads of the East united in a railroad war against the Pennsylvania Railroad, and "joined hands with the Standard Oil Company and proceeded to enforce by a war of rates" a sale by the Pennsylvania Railroad to the oil monopoly of its entire outfit, pipe lines, cars, and refineries in New York and Pennsylvania. There is quoted also the testimony given by Mr. A. J. Cassatt, president of the Pennsylvania road, who was friendly to the oil trust, to the effect that after this sale by the

Pennsylvania road of its oil business and oil outfit, all the remaining competitors of the oil monopoly who were doing business over the Pennsylvania lines were notified that thereafter the Pennsylvania Railroad would give lower rates to the members of the oil monopoly than to them, and that they would not be allowed to put cars of their own on the road, though the Standard Oil Company was allowed to do so. (642, 643.)

Mr. Lloyd also states that "Wealth against Commonwealth" quotes Mr. John D. Archbold, when put on the witness stand in the proceedings brought by the State of Pennsylvania against the Pennsylvania Railroad in consequence of the discriminations made by that road, as stating under oath that he was not allowed a rebate amounting to 64½ cents per barrel, but immediately afterwards, upon being compelled to produce his books, admitting that there was a total allowance of 64½ cents per barrel. Judicial inquiry in Pennsylvania and legislative inquiry in New York show that the Pennsylvania and other railroads paid to some of the members of the Standard Oil Company, under the name of the American Transfer Company, in 1878, an allowance of 22½ cents a barrel on all oil which these railroads carried from the oil regions. Mr. A. J. Cassatt, then third vice-president of the Pennsylvania Railroad, now the president of that road, stated in his sworn testimony in the case of Commonwealth of Pennsylvania *v.* The Pennsylvania Railroad et al. that this allowance was paid to the American Transfer Company on oil which the American Transfer Company never handled. It was paid on all oil received and transported by the road. (643.)

3. *Monopoly of pipe lines secured through railroad discriminations.*—Mr. Lloyd states that in "Wealth against Commonwealth" official findings are quoted to show that the monopoly of pipe lines now held by the Standard Oil Company was secured through railroad discriminations. The report of the New York Assembly of 1879 is quoted to show that the rates made by the railroads to the pipe lines of the Standard Oil Company were such that the company "could overbid in the producing regions and undersell in the markets of the world." The Tide Water Pipe Line, the first trunk pipe line built to the seaboard, was built by competitors of the Standard Oil Company. The railroads made war on the Tide Water line by reducing rates to such a point that, according to a witness friendly to the Standard Oil Company, they were "not enough to pay for the wheel grease." As a result, the Tide Water Pipe Line passed into the control of the National Transit Company, which is the pipe line branch of the oil monopoly. (642.)

4. *Monopoly of oil terminal facilities.*—Mr. Lloyd states that in 1879 the New York Assembly committee found that the oil combination was in control of the oil terminal facilities of the four great trunk lines at New York, Philadelphia, and Baltimore. In 1892 the western traffic manager of the Erie testified before the Interstate Commerce Commission that he would not receive at the Weehawken oil docks of the Erie road a shipment of oil in competition with the oil of the monopoly, and the Interstate Commerce Commission found that in 1892 the oil combination had a monopoly of those facilities. (643.)

5. *Discriminations against George Rice.*—Mr. Henry D. Lloyd, author of "Wealth against Commonwealth," in his affidavit states that "Wealth against Commonwealth" quotes decisions of a Federal court, of the Interstate Commerce Commission, of the supreme courts of New York and Ohio, the testimony of friendly railroad men, and of men connected with the Standard Oil Company, to the effect that discriminations were made against Rice by many railroads; that his freight rates were doubled and more, while they were not only not increased to the monopoly, but were actually lowered to it; and that freight rates collected from Rice were paid over to the Standard Oil Company. The railroads refused to Rice, after the passage of the interstate-commerce act, the right to put on his own cars, and in repeated cases refused him information even as to what would be the freight rates charged him if he undertook to ship anything. The testimony of one of the men of the oil monopoly, given before the Interstate Commerce Commission, is quoted to the effect that arrangements were made for having Rice's business spied out for the oil monopoly. In this discrimination against Rice nearly all the railroads of the Mississippi Valley and on the Pacific coast took part. The Ohio supreme court, in deciding a case brought by the State of Ohio against certain railroads to forfeit their charters for the treatment of Rice, decided that these railroads had charged "discriminating rates" which "tended to foster a monopoly." A large part of the time and attention of the Interstate Commerce Commission was taken up for several years in hearing the complaints of Rice, and in the large proportion of the cases brought by Rice before the Commission, the Commission found his complaints justified, and ordered the roads to give him relief. The Interstate Commerce Commission makes mention of the fact that Rice was mislead and misinformed by the railroad officials, and it noted "that it was not a subordinate agent or servant who made the mistake in any instance, but it was the man

at the head of the traffic department, and whose knowledge on this subject any inquirer would have a right to assume must be accurate." (643, 644.)

6. *Later discriminations.*—Mr. LEE states that the letters submitted by Mr. Archbold, on pages 517 to 526 of his testimony,[1] are inconsequential. The deponent has knowledge of a case in which the general freight agent swore that no discriminations in rates were made, but where the auditor of the road testified that discriminations were made, and submitted written statements showing discriminations to the amount of thousands of dollars. (660.)

Mr. GUNTON says that there is no doubt whatever that in the early seventies the Standard Oil Company got rebates from the railroads. Everybody got rebates, and it was simply a question of who could get the biggest. The Standard Oil Company did the best it could along that line. There is no such thing now, and the railroad rates are nearly as fair as they are likely to be. (637.)

E. Burning of books.—Mr. MONNETT refers to the sworn testimony of witnesses who helped burn the books of the Standard Oil Company, and of draymen who helped to haul them to the fire, which he previously presented; and states that since that time one of the traveling auditors of the company has admitted that he was out collecting the books and records that were shipped in to the office and burned, and that he himself was ordered, if subpœnaed, to answer no questions, but to go to jail in contempt. (658.)

Mr. ARCHBOLD says that the Standard Oil Company has been vindicated by the court of the charge of burning its books, and that there was in the evidence given by Mr. Monnett before the Industrial Commission both suppression of truth and suggestion of falsehood. Mr. Archbold submits extracts from the testimony in the case and affidavits made and filed in the case by Charles C. Hogan and S. H. Tolles. (665–668.)

F. The bribery case in Ohio.—Mr. MONNETT states that on the day on which he began to take testimony to establish the allegations made that the Standard Oil Company had offered a bribe to him and to the former attorney-general, the chief justice of the supreme court, at the request of the attorneys of the Standard Oil Company, verbally ordered him not to take the testimony, and that the charges were thereafter dismissed by the court without the hearing of any testimony on the part of the State to establish the same, the court holding, among other things, that it had no jurisdiction over the question of contempt as charged. (658.)

Mr. ARCHBOLD says that the court has completely vindicated the Standard Oil Company of the charge of bribery. In December, 1899, the court unanimously entered the following order in the bribery case:

"It is ordered that the information herein filed by the attorney-general on the 15th day of April, 1899, be stricken from the files, it not appearing that there is any competent evidence to connect the defendant with the alleged offer to the attorney-general."

Mr. Monnett did not begin to take testimony as he swears. He did give notice that he would take testimony before a notary public, a proceeding which he knew to be illegal and contemptuous. This proceeding the court peremptorily stopped. Mr. Archbold submits extracts from various newspapers commenting upon Mr. Monnett's charge of bribery, a copy of a letter written by the Standard Oil Company's attorneys to Mr. Monnett, a copy of the motion made by the attorneys of the Standard Oil Company in answer to the bill of information filed by Mr. Monnett, and a copy of a denial of any attempt at bribery stated to have been made to the press by Charles B. Squire. (660–665.)

G. Standard Oil Company a violator of law.—Mr. MONNETT, ex-attorney-general of Ohio, states that the Standard Oil Company and affiliated companies in Ohio have, each and every one, openly and notoriously violated their charters and the statutes of the State, and do not dare go into court and answer the charges of such violation. He submits a copy of an affidavit presented to the court by Henry H. Rogers, president of the Standard Oil Company, stating that the answer of the Standard Oil Company was not verified because the admission of the truth of certain facts stated in the pleadings might subject the defendant and its officers to a criminal or penal prosecution and to a forfeiture of the company's charter, franchises, and privileges; and that the interrogatories were not answered for the same reason. (657.)

H. The Mathews case.—Mr. MATHEWS, a producer and refiner of petroleum, of Buffalo, N. Y., says that after the Buffalo Lubricating Oil Company had secured a promise from the Atlas Oil Company that the latter company would give the Buffalo company a 5-year contract to furnish crude oil at a rate of 10 cents a barrel for

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[1] Reports of the Industrial Commission, vol. i.

piping, the Standard Oil Company got control of the Atlas Oil Company and advanced the carrying charges from 10 to 25 cents per barrel, and afterwards to 35 cents per barrel. The railroads also advanced all rates on oil going out of Buffalo, although the rates on other commodities were generally reduced.

The first still of oil which was run at the Buffalo works was run under such extraordinary heat and pressure that an explosion occurred. The superintendent of the company, one Miller, fled under suspicious circumstances, and was secreted by and placed on the pay roll of the Vacuum Oil Company, which company was under the control of the Standard Oil Company.

The Standard Oil Company also brought a number of groundless suits for infringement of patents against the Buffalo company, the subsequent course of which showed that the object of the Standard people was to involve the Buffalo company in expensive and harassing litigation.

In February, 1886, an indictment was found by the grand jury against H. B. Everest, C. M. Everest, John D. Archbold, Henry M. Rogers, and Ambrose McGregor for entering into a conspiracy to destroy the business of the Buffalo company by corrupting its servants, by bringing vexatious suits at law, and by blowing up its works. The trial was delayed by the Standard people on different pretexts. When the case finally came to trial the State's attorney made out a convincing case against the defendants, but the trial judge, Judge Haight, directed the jury to acquit Archbold, Rogers, and McGregor. This was done, although the judge had in his hands the sworn answer of Archbold, Rogers, and McGregor, given in a civil action for damages, admitting that they advised their co-defendants, H. B. and C. M. Everest, to bring the actions for the infringement of patents and to re-employ Miller.

It was also shown at this trial that the Standard interests had been paying one of the employees of the Buffalo company to make daily reports concerning that company's business to Mr. Dodd, the Standard's attorney.

The affidavits of the six jurymen, submitted by Mr. Archbold, were taken a year after the trial. When they were first presented the district attorney offered to prove that money was offered to procure affidavits from other jurymen of the panel. A reading of the record of the trial will show that the Standard officials would have been convicted if the case had gone to the jury. They had been unanimously decided against by two grand juries and two petit juries in Buffalo.

The Buffalo company continued to be so harrassed and discriminated against that it became involved and was thrown into the hands of a receiver. The Standard interests made an offer of $85,000 for the refinery and for the cancellation of all the company's suits against the Standard. Although all the stockholders of the company and the creditors asked to have this proposition refused, Judge Haight, before whom this motion also came, ordered the receiver to accept it. (647–650.)

Mr. Archbold says that it will be easily seen from the record in the Mathews case that there was not in that case a particle of evidence against any member of the Standard Oil Company upon which any court could have held them, and that the record supplemented by the subsequent affidavits of several of the jurors shows that the Everests were convicted only of enticing away a workman under contract. (669.)

I. Standard Oil Company opposed to free pipe line law.—Mr. Lee states that he desires to reiterate that the Standard Oil Company was absolutely opposed to the passage of the free pipe line law in Pennsylvania in 1883, and to the attempted passage of a similar law in 1879 and 1881. It was a matter of common and general knowledge at the time, and their agents forwarded hundreds of telegrams in opposition to the measure.[1] (659.)

J. Offers of combination by the Pure Oil Company.—Mr. Lee, president of the Pure Oil Company, states that he never made any suggestion of sale or even of combination to any officer or employee of the Standard Oil Company. (660.)

Mr. Archbold reiterates his former statement,[2] that approaches were made to the Standard Oil Company by many of those connected with the Pure Oil Company in relation to sale and combination, and says that Mr. Lee's suggestion did include a combination of the interests of the competitive pipe lines. (669.)

K. Pure Oil Company not a trust.—Mr. Lee states that the Pure Oil Company is not now and never has been in any sense a trust. The fact that a portion of its stock is held in a voting trust does not make the company a trust. The voting trust was created for the express purpose of preventing monopoly in the business. (659.)

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[1] Reports of the Industrial Commission, vol. i, Testimony, pp. 262, 267, 513.
[2] Reports of the Industrial Commission, vol. i, Testimony, p. 530.

L. Standard Oil Company less progressive than independent refiners.—Mr. MATHEWS, a refiner of petroleum in Buffalo, N. Y., states that from his experience as an oil producer and refiner for about 30 years he has found the independents more progressive, more scientific, and more practical in the art of refining oil than the Standard people have been, and that the small percentage of the refining of oil now done by them is due almost entirely to freight discriminations and rebates in favor of the Standard combine. The Standard fought in every conceivable way the laying of the United States Pipe Line. The Tide-Water Pipe Line, the first long-distance line, was built by the independents. (651.)

M. Wealth against Commonwealth.—Mr. LLOYD, author of "Wealth against Commonwealth," says that the statements made in that book charging that the Standard Oil Company had secret and unlawful contracts with railroads by which they secured preferential rates are, in all things essential and controversial, a transcription from the documentary records of State and Federal courts, civil and criminal, of legislatures, of Congress, of the Interstate Commerce Commission, and of sworn testimony given in legal proceedings and official inquiries, corrected by rebuttal of testimony and cross-examination, with no changes in substance or in form other than those necessary for condensation and simplification. Every controversial statement made is supported by exact references, by page and volume, to the official sources of information on which it is based. The witnesses, on whose testimony the decisions of the courts, legislative committees, and other findings are based, came from every point of importance in the oil industry. Sufficient reference has in all cases been made to and frequent quotations taken from the testimony given in behalf of the Standard Oil Company. (639, 640, 645.)

N. Control of oil refining.—Mr. LOCKWOOD, a producer of petroleum at Zelienople, Pa., states that Mr. Archbold, in presenting figures[1] to show that during the years 1894 to 1898 the aggregate percentage of business done by the Standard Oil Company was 82.3 per cent of the total business, selected years which preceded the absorption of the Cudahys and Manhattan refineries; furthermore, that he included in his list of independent refineries 26 which Scofield, Shurmer & Teagle, of Cleveland, declare to be shut down and gone out of business, and that he also included among the independent refineries the Tide-Water Oil Company, although that company is a part of the Standard Oil combination. (654.)

O. Control of Lima oil production.—Mr. LOCKWOOD states that the statistics given by Mr. Archbold[2] to show the aggregate percentage of Lima oil production by the Standard Oil Company began with the year 1890, which was after the time when the Standard Oil Company had driven out many of the independent producers in the Lima oil field. It was in the latter part of 1886 that railway discrimination was applied to the man who had developed the Lima oil field. At that time the Standard owned practically nothing in that field. In 1890, as shown by Mr. Archbold's figures, it controlled over 55 per cent of the output. In 1887 the price of crude Lima oil was forced down to 15 cents a barrel. In 1895, when Lima oil went to $1.27 a barrel, the producers of Lima oil were able to reduce the Standard Oil Company's percentage of production to less than 32 per cent. (654, 655.)

P. Output of Standard Oil Company in Ohio.—Mr. MONNETT states that, according to the figures of the Standard Oil Company, as reported to the excise board, that company shipped from the oil fields of Ohio to its various refineries an average of upward of 30,000,000 barrels per year, and that the gross receipts for refined oil and by-products received by the Standard Oil combination from Ohio's crude oil would reach $120,000,000 a year. This is not the amount consumed in Ohio; it is the amount extracted from Ohio and mostly sent out of the State.[3] (657,658.)

Q. Production of Pennsylvania oil and of Lima oil.—Mr. FOSTER submits tables, which he swears to be approximately correct, showing the total production in barrels, by years, from 1859 to 1900, inclusive, of crude petroleum known as Pennsylvania petroleum, in Pennsylvania, West Virginia, New York, and eastern Ohio, and the aggregate sum realized for it at the average price for each year; also the total production in barrels, by years, from 1886 to 1900, inclusive, of crude petroleum known as Lima oil, in Indiana and northwestern Ohio, and the aggregate sum realized for it at the average price for each year. (670.)

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[1] Reports of the Industrial Commission, vol. i, Testimony, p. 560.
[2] Reports of the Industrial Commission, vol. i, Testimony, p. 561.
[3] Reports of the Industrial Commission, vol. i, Testimony, pp, 311, 315, 544.

XXIII.—GENERAL CHEMICAL COMPANY.

Mr. BAGG, secretary of the General Chemical Company, in the affidavit submitted by him, states that the business of that company is the manufacture of heavy chemicals. The company bought the property of 12 previously existing companies, including 19 separate plants. Three other plants have since been acquired. (674.)

No promoter was concerned in the organization of the company, and there was no underwriting syndicate. The consolidation was effected entirely by agreement among those engaged in the business. An appraisal committee was formed to determine the fair cash value of the plants taken over. The valuation of the intangible property was based in part upon the net earnings of the several constituent companies for 5½ years before the consolidation. The plants were paid for with securities of the consolidated company, common stock being issued in payment for intangible property, and for some of the plants, which were earning less than 8 per cent per annum net profit. (674.)

The company was formed because it was hoped that the severity of competition which existed would be done away with, and because of the expectation that economies in production and sale would be effected. Considerable economies have been realized. The greatest gain has been the economy in production, which has been due to the control by the central office of the manufacturing department and of the buying. An appreciable saving in the cost of raw materials is effected through buying for all the plants together. A saving has been made through the avoidance of cross freights. The number of traveling salesmen is practically the same as before consolidation. It has not been possible as yet to close any of the plants, but it is expected that some of the smaller and less efficient plants may be closed in the future. (674, 675.)

The selling price of chemicals has in some cases gone up, but that this has been because of advances in the prices of raw materials. The foreign sales are made on practically the same basis of prices as the domestic sales. The only difference is in the prices charged for packages. (675.)

Wages have been very generally increased since the formation of the company. (675.)

The tariff has very little effect upon the business. Competing foreign goods are not likely to be imported under ordinary conditions. Special facilities for transportation, which the company has, make foreign competition practically impossible. The tariff, however, is a safeguard against the sale of surplus stocks in this country by foreign manufacturers. (675.)

Mr. Bagg submits a statement made to the stockholders of the General Chemical Company in February, 1901, giving the net profits of the company for the year 1900, the dividends paid, and the surplus account, and the balance sheet of the company, of December 31, 1900, showing the assets and liabilities at that date. (676.)

XXIV.—NATIONAL ASPHALT COMPANY.

Mr. SEWALL, secretary and treasurer of the National Asphalt Company, in the affidavit submitted by him, states that the National Asphalt Company is not an operating company. Its property is almost exclusively in the stocks of other corporations. Fifty-eight corporations are now under its control. A large number of them have been eliminated as active organizations. The business of the subordinate companies which the National Asphalt Company owns and controls is the importing and refining of asphalt and the selling of it for paving purposes. One of the constituent companies quarries and crushes rocks for paving and similar purposes. The National Asphalt Company, through its subordinate companies, handles probably 85 or 90 per cent of the asphalt sold in the United States, and does perhaps 75 per cent of the asphalt paving in the United States. (676, 677, 678.)

No promoter was concerned in the formation of the National Asphalt Company. The consolidation was arranged between the principal owners of the companies absorbed. The several stockholders exchanged their stock in the subordinate companies for stock and collateral gold certificates of the National Asphalt Company. (677.).

The Asphalt Company of America, which is the principal company subordinate to the National Asphalt Company, was a consolidation of the majority of the concerns engaged in asphalt paving. When this company was formed, it gave 5 per cent collateral gold certificates in exchange for the stock of its constituent companies, and secured the certificates by deposit of the stock bought. Thirty million dollars of these certificates were issued. The company also issued 600,000 $50 shares of

stock, not as paid up, but as subject to call. Afterwards $10 in cash was paid on each of these shares by the stockholders. The $30,000,000 paid by the company in its gold certificates for the stock of its constituent companies is believed to have been the fair cash value of the properties. (677.)

The National Asphalt Company, in exchange for the $6,000,000 of cash which had been paid in by the stockholders of the Asphalt Company of America, issued $4,200,000 of preferred stock, $6,000,000 of common stock, and $6,000,000 of collateral gold certificates. The preferred and common stock, which was given in addition to the $6,000,000 of gold certificates, represented the value of the organization and good will of the Asphalt Company of America as a going concern. The National Asphalt Company also issued $3,550,000 of preferred stock and $5,100,000 of common stock in payment for the capital stocks of the other companies which were absorbed. (677.)

The principal reason for the formation of the company was the desire to diminish the severity of competition. The second important consideration was the desire to effect economies through a unified management. The prices of asphalt paving have not been raised in consequence of the formation of the National Asphalt Company. The number of employees has been greatly diminished through the consolidation, especially the number of superintendents and the office force. (678.)

The formation of the company has had no noticeable effect on wages. In every instance wages are as good as before, and in some cases they are better. Mr. Sewall submits a table showing the wages paid by the Barber Asphalt Paving Company to foremen and other experts in various cities during the month of August, 1900. The wages paid to common laborers by the Barber Company he states are from $1.50 to $1.75 per day, though in some Western cities it has been necessary to pay as much as $2.00 a day for ordinary labor. The relations of the National Asphalt Company with labor organizations are very friendly, and almost all the work of the company is done by union labor. (679.)

The National Asphalt Company is able to push foreign trade with an energy which smaller organizations are not capable of. The prices of work in foreign countries are on substantially the same basis as in the United States. (678.)

XXV.—AMERICAN COTTON OIL COMPANY.

Mr. Ralph, secretary and treasurer of the American Cotton Oil Company, states in his affidavit that the business of the company is the crushing of cotton seed and the manufacture and sale of the resulting products. The volume of business done by the company has steadily increased since its organization, though its proportion of the entire cotton-seed business of the country is less than at the time of the organzation. The company owns a refinery and other properties in New Jersey, but the greater part of its assets consists of the capital stocks of subordinate companies.

The capital stock issued and outstanding is preferred stock, $10,198,600; common stock, $20,237,100. There is also outstanding $3,000,000 of gold debenture bonds, making the aggregate capitalization $33,435,700. The valuation of the tangible property and assets was $15,773,936 in August, 1891, and $17,949,863 in August, 1900. The company has paid dividends of 6 per cent upon its preferred stock continuously since June, 1892, and has paid dividends averaging 3½ per cent per annum upon its common stock during the last 3 years.

In Mr. Ralph's opinion centralized organization produces important savings in both buying and selling, and increases the commercial standing and importance of the company by reason of the volume of business transacted. There is also an advantage in the facility with which processes of manufacture are made more widely effective. There is, of course, some disadvantage in the conduct of a business in which the manufacturing units are so widely separated. On the whole the advantages outweigh the disadvantages. (680.)

XXVI.—STANDARD MILLING COMPANY.

Mr. McIntyre, director of the Standard Milling Company, says in the affidavit submitted by him, that this company was formed by the reorganization of the United States Flour Milling Company. It is the largest milling organization in the world, although it controls only a small fraction of the milling business of the United States. Its mills are equipped to grind over 175,000 bushels of wheat daily. It also produces specialties in cereals.

The company has issued $6,900,000 in 5 per cent noncumulative preferred stock, and $4,600,000 common stock. It has also issued $5,750,000 in 5 per cent bonds.

The United States Flour Milling Company was formed by consolidating the Hecker-Jones-Jewell Milling Company with other concerns. In some cases the plants were bought and in some cases the capital stock of the constituent companies. The United States Flour Milling Company issued $5,000,000 preferred and $3,500,000 common stock, together with $7,500,000 of bonds. The aggregate capitalizatian did not exceed the fair value of the properties on the basis of their previous earnings.

The Hecker-Jones-Jewell Milling Company was formed by the combination of 5 mills, which made all the flour ground in New York City. Mr. McIntyre bought these companies and sold them to the Hecker-Jones-Jewell Company. Not more was paid for the plants than the previous earnings justified. The Hecker-Jones-Jewell Milling Company issued $3,000,000 preferred and $2,000,000 common stock, besides $2,500,000 in bonds. The tangible assets were appraised at $5,804,000. Valuable patents and brands were also acquired, which were not included in this valuation. The average net profit of the companies consolidated for the previous 5 years was over $500,000.

The principal reason for forming the milling consolidations was the hope of effecting certain economies. A large saving in cross freights has been made; a saving in the cost of selling has also been effected, and the number of traveling men employed is smaller in proportion to the business transacted, though probably the actual number employed is as great.

Wages have been increased since the Hecker-Jones-Jewell Milling Company was formed; that company having begun business just about the time of the industrial depression of 1893. Mr. M'Intyre believes that the tendency of the combinations has been to keep the men more steadily employed. (681, 682.)

XXVII.—AMERICAN FISHERIES COMPANY.

Mr. Church, vice-president and manager of the American Fisheries Company, states in the affidavit submitted by him that prior to the formation of the American Fisheries Company the northern branch of the menhaden industry was carried on by 20 different concerns. The American Fisheries Company purchased the factories, steamers, and good will of 17 of these plants. Six of the factories bought have since been dismantled and the machinery used to increase the capacity of some of the other factories. The company has since its formation built a new plant at Port Arthur, Tex., where it handles the fish caught in the Gulf of Mexico. Altogether the company has facilities to take care of from 50,000 to 60,000 barrels of fish in a day of 10 hours. This is double the capacity of the combined plants at the time of their consolidation. The company handles a little more than half the total catch of menhaden. While the business of the company has increased, the business of the outside companies has likewise increased. Oil for dressing leather, tempering steel, making rope, and compounding with other greases is manufactured. The refuse fish, mixed with other materials, is used extensively as a fertilizer. The company has established its own boiler shop, machine shop, and shipyard, and does almost all of its own work in these lines.

Since consolidation it has been arranged to have the steamers land their fish at the factory nearest to the place where the fish are caught. By delivering the fish as soon after catching as possible a better quality of oil and guano is produced and time is saved. New and improved machinery has been introduced and a uniformity of method adopted, the result being that the merchandise produced is of an even quality. Consolidation has made it possible also for the company to enter into contracts for the sale of its entire product. Buyers realize that there is only one channel through which they can purchase, and so there is no waiting on their part for some manufacturer to become embarrassed and cut prices.

Since the formation of the company the prices of the products have increased, owing, in a large measure, to the method of selling the goods. The increase of price has been especially beneficial to the outside manufacturers.

Owing to the fact that fish oil is produced in foreign countries, where the rate of wages is much less than in this country, it would not be possible for the manufacturers in this country to make a profit if the duty of 8 cents per gallon on oil were taken off. (683–685.)

XXVIII.—UNITED STATES LEATHER COMPANY.

Mr. Lapham, vice-president of the United States Leather Company, says that his company carries on the manufacture of leather and business incident thereto, the manufacture of sole leather being the principal business. The company was formed by the union of 25 or 30 firms which were doing perhaps one-half of the sole-leather

business of the United States. The proportion of the business done by the consolidated company is about the same. In most cases the properties are held directly by the United States Leather Company. In some cases, because of State laws which forbade ownership of real estate by a foreign corporation, subordinate corporations were formed and their stock purchased by the United States Leather Company. No promoter was concerned in the formation of the company and there was no underwriting syndicate. The stock was all taken by the previous owners of the properties and none was offered to the public. The properties acquired were all paid for in stock of the company. The basis adopted for the valuation of the properties was that of vat capacity. Bark and other stock were taken at cost, and standing timber was taken at so much per estimated cord of bark. The preferred stock represented the fair cash value of the tangible property; the common stock represented the good will of the business. Six million dollars in debentures was offered to the public and was underwritten by a syndicate which received $600,000 of common stock for its services. All the rest of the stock was issued to the owners of the properties purchased. Thus far the common stock has received no dividends, and the preferred stock had not, up to January 1, 1900, received the dividends due to it by about 34 per cent.

The chief saving effected by the consolidation has been through the introduction of the best methods in all the tanneries. There has also been more active and systematic experimenting than was done by the individual tanners, and great improvements have been made because of this. Considerable saving has been made in cross freights. Fewer traveling men are employed in proportion to the size of the business and the number of warehouses has been diminished. It is hard to say whether or not there has been an increase of administrative expenses. The management, however, has been more efficient since consolidation. There is competition between superintendents, and good results are obtained. It is possible also through the centralization of management to apply the experience of a large number of men at any point where there is trouble.

The organization of the company has tended to keep prices steadier and to diminish fluctuation. It would not be possible for the company to squeeze the public on prices, if it desired. There has been no change in wages which can be attributed to the formation of the company. Wages were reduced in 1893 and 1894, but have now been put back to about where they were in 1892.

The tariff on hides is a serious handicap on the business of the company. The price of domestic hides is increased by the amount of the duty. Canadian tanners buy South American hides and send them through the United States in bond. The American tanners have to meet the competition of the Canadian tanners in European markets. There is a drawback on hides which are re-exported in the form of leather, but it takes about a year and a half from the time the hides are imported for the leather to be exported and the drawback collected. Before the Dingley tariff American manufacturers could hold their own with their Canadian competitors in European markets, but that can not be done now.

Mr. Lapham submits a statement issued to the stockholders of the United States Leather Company, giving the company's assets and liabilities as of December 31, 1900. (685–688.)

XXIX.-AMERICAN BICYCLE COMPANY.

Mr. POPE, vice-president of the American Bicycle Company, in the affidavit submitted by him, says that the American Bicycle Company was incorporated on May 12, 1899. Its business is the manfacture of bicycles and automobiles. It bought the property of 48 concerns which had been engaged in making bicycles and bicycle parts. In 1900 the company sold about 65 per cent of all the bicycles sold in the United States. The company did not buy the stock of the previously existing corporations, but took conveyance of their real estate and personal property. Mr. A. G. Spalding personally bought the properties from the previous owners on such terms as he could make and sold them to the American Bicycle Company. Whatever of preferred and common stock was left in his hands after the properties were paid for belonged to him. It is understood that the method and terms of payment were similar in all cases, and that the owners in each case received 30 per cent of the appraised value of their property in cash or, at their option, in 5 per cent debenture bonds of the American Bicycle Company at 92½; 30 per cent of the appraised value in preferred stock, and 50 per cent in common stock.

The authorized capital of the American Bicycle Company is $35,000,000 preferred and $45,000,000 common stock, of which $10,000,000 preferred and $20,000,000 common has been issued. There has also been issued $10,000,000 of bonds. Speaking

roughly, the debentures and preferred stock represented the tangible assets of the constituent companies and the common stock the intangible assets. The earnings of the properties before consolidation were stated to have been, in 1895, about $5,119,000; in 1896, about $7,763,000; in 1898, about $3,329,000. The net profits for 1899 were estimated at $3,894,000.

The chief reason for forming the combination was the severe competition which existed. Through the consolidation of ownership savings have been made. A stop has been put to patent litigation, and valuable patents owned by any one concern may be applied by all. There has been a saving in administrative expenses from a diminution in the number of officers. Buying is concentrated in the hands of one officer and his assistants, and this saves energy and expense. A smaller aggregate quantity of supplies is carried than was carried by the constituent companies. The expense of selling has been considerably reduced. It is possible to get lower rates for advertising than had been secured by any of the constituent companies. There has been some saving in the number of traveling men employed, only about 85 per cent of the number employed before consolidation being now necessary. The management is more efficient. Concentration of manufacturing activity has reduced the actual cost of production. The company has closed 8 bicycle plants, besides turning 2 from the production of bicycles to the production of automobiles. There is every reason to believe that as many plants would have been closed if there had been no combination, because of the failure of the companies which owned them. The American Bicycle Company gives as many days' work a year as were given by its predecessors, and the employment is steadier.

There has been no change in the prices of bicycles sold through established retail agencies. On jobbing goods there has been a tendency to stronger prices. The export trade of the company is attaining considerable importance. In general, the export prices are based substantially on wholesale prices in this country.

There has been no general change of wages since the formation of the company. The attitude toward labor organizations is determined by the managers of the different factories, and some of the shops are union and some are nonunion.

The tariff has no noticeable effect upon the business of the company. (688-691.)

XXX.—OTIS ELEVATOR COMPANY.

Mr. Baldwin, president of the Otis Elevator Company, says that this company was formed in November, 1898, for the purpose of manufacturing elevators and hoisting machinery. It bought the property of 11 companies which were doing 80 or 85 per cent of the elevator business in the United States. The proportion of the total business done has rather increased since the formation of the Otis Elevator Company. Only one factory has been closed. Mr. Baldwin says that he personally bought the property of each of the constituent companies and sold it to the new company. No stock was offered to the public, and there was no underwriting syndicate. Payment was made for all the plants in stock exclusively, with the exception of one which was paid for in cash. Preferred stock to represent the fair cash value of the tangible property was given. Common stock in the proportion of 1½ shares to 1 share of preferred was given in payment for the intangible property. The cost of production has been lowered by the specialization of the work at the different plants and the building of particular types of machinery in large lots. The number of traveling men is about the same as before consolidation, but the business handled is 20 per cent larger. There has been an advantage in the common use of patents previously owned by single establishments and in the stopping of patent litigation.

Prices since consolidation have been no higher than the prices charged by Otis Bros. & Co., though they have been somewhat higher than the prices which were charged by some of the other companies. There has been no noticeable change of wages, but the men are being put on a 9-hour basis with the same wages which were formerly paid for 10 hours. The attitude of the company toward labor organizations is entirely friendly. Some of the shops are union and some are not.

The export business of the company is assuming considerable proportions. The elevators exported are of a cheaper grade than those sold in the United States. (691, 692.)

XXXI.—ORFORD COPPER COMPANY.

Mr. Thompson, president of the Orford Copper Company, in the affidavit submitted by him, states that his company is engaged in the refining and selling of nickel and copper. There is no nickel mine in the United States which is now productive, and nickel ore is imported from Canada, New Caledonia, and Norway.

Some of the Canadian mines fell off largely in their production in 1899 and 1900, and the freight on ore from New Caledonia fully doubled from 1898 to 1900. These facts contributed largely to the increased cost of nickel in the United States. Coke cost 60 per cent more in 1900 than in 1899, and coal 35 per cent more. This helped to increase the price of nickel. The primary cause of the increased price, however, was that the demand far outran the supply. The increase of price was not due to any combination or agreement. There is only one other company besides the Orford Company which refines nickel in the United States, and there is no agreement between this company and the Orford Company in respect to prices, neither is there any agreement between the American refiners and refiners in other countries.[1] The 2 American companies do not control the United States market, but a considerable amount of nickel is imported. The Orford Company is not a combination, and all the stock, except 20 shares, Mr. Thompson says, is owned by him. (692, 693.)

XXXII.—CAUSES, METHODS, AND EFFECTS OF INDUSTRIAL COMBINATION.[2]

A. Causes (see also *Relation of tariff to trusts*, p. CXLV).—Mr. SPALDING says that, in his opinion, trusts are due to the protective tariff, to centralized legislation, and to the development of the powers of Congress under the interstate-commerce clause of the Constitution. Most of the trusts in the United States have grown out of the protective tariff. The inducements offered to trusts and combinations by certain States, notably, West Virginia, New Jersey, and Delaware, have been an auxiliary cause of the formation of trusts. (1–4.)

Mr. LATASTE says that the monopoly of natural opportunities and our present system of taxation are the fundamental causes of the formation of trusts. (29.)

Mr. HILLYER considers the primary reason for the formation of trusts to be the desire of those in control of them to make more money. The tariff is an auxiliary cause. (13.)

Mr. FLINT, a merchant of New York City, who has been connected with the organization of a number of industrial combinations, says that, in general, the reasons which lead to the formation of these combinations are the desire to secure economies and the desire of persons to have their property in such a form that it will have a current market value and be readily realizable. The holding of property in the form of realizable securities would, in case of the death or disability of the holder, prevent depreciation in the value of the property, because there would be an identity of interest with the best intelligence in the particular industry in which the property was invested. Another reason for the formation of industrial combinations, in some cases, is the cutting of prices through competition. (33.)

B. Capitalization.—Mr. CHAPMAN does not think that the amount of the capital stock of a combination is a matter of any concern to the public. Overcapitalization is not going to affect the earnings. The stockholder and the public are interested in earnings rather than in capital. Capital has no relation to earnings whatever. It would not make any difference to the earnings whether the company had a large amount of water in its stock or not. Properly managed the business will pay so much money; it does not make any difference whether it is distributed over $1,000,000 or $10,000,000 of stock. So far as prices are concerned, they are influenced by other conditions rather than by the amount of capital stock. A manager will make all he can out of his business whether his capital is 1 or 10 million. To keep out competition he must keep the margin between the cost and the selling price as low as he can. A 20 per cent dividend would not necessarily be more likely to attract competition than a 2 per cent dividend. The protection of the investor is another matter. To protect the investor there should be some supervision of the capitalization of the company. There should be publicity in its affairs to such extent as may be necessary to enable the investor to know what his company is doing. (107, 108.)

Promoters are sometimes given a specified sum or a specified percentage for their services. Mr. Chapman has never known a case where the bankers were paid any specified amount of money. They take over a given percentage of the stock and settle up the claims of promoters, lawyers, and others as best they can. Whatever stock is left after these charges are paid they have for themselves. (96, 97.)

Mr. FLINT thinks that there have been many cases of overcapitalization, but that the banking houses which have indorsed unsound capitalizations have been discredited to such an extent that they can not repeat the operation. Investors have become less

[1] See volume on manufactures, p. ——.

[2] Testimony as to the causes and effects of particular combinations which are treated in detail in this volume is summarized in connection with the other testimony regarding them.

careless, and the wisdom of using greater care in forming organizations is being recognized. (92.)

Mr. PIEL, president of the National Starch Company, considers that the chief disadvantage of industrial combination is found in the tendency to overcapitalization. There is a certain safeguard against this, however, in the fact that overcapitalization tends to bring in competition. (673.)

Mr. SCHWAB does not think that overcapitalization enables a corporation to increase its exactions from the public. If too large dividends were exacted, other people with a lower capitalization would do the business at a lower price. (467.)

Mr. CHAPMAN says that dividends which on the surface appear excessive might upon investigation be found to be no more than fair, because of the fact that the properties owned by the company in question had advanced in value in a long course of years, and that therefore the capitalization of the company was below what it ought to be. (109.)

Mr. FLINT says that the formation of industrial combinations gives the public opportunities for profit that they would not otherwise possess. Figuring the earnings of 47 important industries, and not including the Standard Oil Company, he finds that the average earnings are over 7 per cent of the capitalization and are over 11 per cent of the present market prices of the industrials; while the average earnings of 37 railroads, which he figured, he found to be $4\frac{3}{4}$ per cent on the market price and a little more than that on the par value of the securities. (91.)

Mr. HOLT, secretary of the tariff reform committee of the Reform Club of New York, says that the tariff is undoubtedly indirectly responsible for a large part of the water in trust stocks. Had there been no tariff to enable prospective trusts to pay dividends on watered stocks, the trust promoters could not have offered sufficient inducements to coalesce the producers in any particular industry. Promoters have been unable to form trusts in many industries not actually benefited by tariff duties. The most highly protected trusts are generally the most highly capitalized. It is useless for a trust to attempt to pay big dividends on watered capital unless it enjoys special privileges of some kind. (554, 583.)

Mr. BUTLER considers tangible and assured assets the proper basis of capitalization. Applying the question to his own business, that of a jobber of iron and steel, if good will were capitalized the payment of dividends on it would require unusual effort and the creation of profits which would probably be hard to maintain. The result would probably be an attempt to increase dividends through prices rather higher than normal, and this would almost inevitably bring new competitors into the field. The new competitors would have an advantage in not being burdened with an excessive capitalization. (497.)

Mr. BURN, president of the National Wall Paper Company, understands good will to mean the reputation of the manufacturer and his established connection with dealers who are likely to continue dealing with him. (287.)

Mr. HOPKINS, president of the Sloss-Sheffield Iron and Steel Company, thinks that the effect of the great combinations in the iron and steel business is likely to be good, in that they will maintain prices. Their high capitalization is itself advantageous, since a company with a large capitalization, on which it wants to pay dividends, will be restrained from ruinous competition. Combinations that can prevent such competition are best for the country, "because whenever we have ruinous competition the evil goes right back to the laborer." This happens not only by cutting wages, but by bankruptcy and actual stoppage of establishments. Three furnaces which the Sloss-Sheffield company has recently bought and started up were bankrupt concerns, which had not run for 4 years. They were idle, the ore mines and the coal mines that depended on them were idle, and the whole town of Sheffield, Ala., was dead. Now, with the starting up of the furnaces, rents are advancing, wages are going up, and everybody is happy. (509, 512.)

C. Secrecy.—Mr. HOLT, secretary of the tariff reform committee of the Reform Club of New York City, says that one of the evils which has grown out of the formation of trusts is the juggling of prices and statistics. The sugar trust refused to comply with our census laws in 1890, and would give no information concerning its business to the Census Department. As a result of this the census abstract states that the value of our product of sugar and molasses dropped from $155,000,000 in 1880 to $123,000,000 in 1890, and that the value of this product in New York State dropped from $71,000,000 to $17,000,000 in 1890. As about one-half of the sugar refined in this country in 1890 was refined in New York State, it is probable that the value of this product in New York was about $100,000,000 instead of $17,000,000, as given by the census. (554, 555.)

D. Economies.—*Salesmen.*—Mr. FLINT says that in the companies with which he has been connected there has been a considerable saving through reducing the number of traveling salesmen. Care must be taken in economizing in this direction lest the efficiency of the selling department be reduced. In the case of the United States Rubber Company there has been a saving of 25 per cent. In the case of the Rubber Goods Manufacturing Company the saving has been less, because it has been the policy of that company to maintain the individual independence of each concern in the combination. (35.)

Mr. LA TASTE has no statistics in respect to the number of traveling salesmen who have been thrown out of employment through the formation of industrial combinations. He knows of some men who have been displaced, but does not know why. Possibly they were not as competent men as the companies wanted. He has made no investigation along that line, however, and there might have been other reasons. He was told by a traveling man in the employ of the Royal Baking Powder Company that, prior to the organization of that company, the 3 companies which entered into the combination employed 100 traveling men, and that very soon after the formation of the combination 64 of the 100 were discharged. (26, 32.)

Mr. La Taste has no definite information as to the re-employment of traveling men who have been discharged, though it is quite likely that a man who loses an opportunity of earning a livelihood in one line will utilize his abilities in some other line if he can; and that has probably been done by traveling men. He thinks that, as a rule, traveling men would be more likely to find employment in other lines than men of any other class, except in cases where a long term of service has unfitted a man for other vocations. A traveling man loses his local identity, so to speak. (30.)

Mr. La Taste believes that traveling salesmen are almost unanimously of the opinion that the formation of trade combinations is inimical, not only to the interests of traveling men, but to the entire interest of the country. As a general rule, the men have not clearly defined reasons for their opinions. When reasons are given, the chief ones are that industrial combinations result in depriving traveling men of their means of support, and that they reduce them to such a state of uncertainty that they do not know one day whether or not they are going to have employment the next day. Mr. La Taste quotes from the minutes of the Convention of the Traveling Men's Protective Association, which was held at Louisville in May, 1899, showing that two separate anti-trust resolutions were tabled, and giving the discussion of them in convention. Mr. La Taste says that the vote must have been a very decisive one, because there was no demand for a division. He does not believe, however, that the action of the Traveling Men's Protective Association in tabling those resolutions indicated the sentiment of the members. There were about 205 delegates at the convention, and Mr. La Taste believes that if each of these members were asked separately his opinion concerning industrial combinations, not one would hesitate to say that such combinations are not beneficial. Personally, Mr. La Taste is of the opinion that trusts are injurious tc commercial travelers. (21–24, 27, 28, 32.)

2. *Advertising.*—Mr. FLINT says that economy is secured through combination by reducing the amount of advertising. The same results can be secured at considerably less expense, owing to a more intelligent distribution and method of advertising. Also, advertising in a very large way permits the securing of more favorable rates. (35.)

Mr. DUKE thinks that the American Tobacco Company expends as much in advertising as was expended by the independent companies. Of course the company does a larger amount of business than the concerns it bought out did. (318.)

3. *Middlemen.*—Mr. FLINT says that in certain industries there have been substantial economies through direct sales. Great care has to be taken, however, in securing economy in this line. Some kinds of business permit of greater economy through direct sales than do others. Where goods are sold through the popularity of a trademark more economy can be secured through direct sales than in other cases. (34, 35.)

4. *Bad debts.*—Mr. FLINT says that through combination there comes a better knowledge of credit conditions, and that therefore bad debts may be guarded against. Last year the United States Rubber Company, doing a business of about $25,000,000, lost less than $1,000 by bad debts. Business conditions were favorable last year, but the average loss by separate companies on that volume of business would be over $100,000 per year. (36, 37.)

5. *Price of raw materials.*—Mr. FLINT says that there is not much saving, through combination, in the prices which have to be paid for staple merchandise, unless the combination uses a very large percentage of a particular kind of raw material produced. In considering the raw-material market it is necessary to take into consideration all the raw material in the world, because of the present facilities for quick transportation. (36.)

6. *Reduction of stock carried.*—Mr. Flint says by centralization there has been a reduction in the carrying of stocks; that thereby interest, insurance, storage, and shop-work charges have been reduced. The reduction in stock carrying results from the fact that, through combination, it is possible to keep a better balance between supply and demand. (35.)

7. *Transportation charges.*—Mr. Flint says that through combination a saving in freight charges is secured. A well-managed combination takes advantage of the cheapest transportation facilities. The large combinations have storage facilities at Western points, and ship their goods during the summer when they can get the advantage of low water freights. (35, 36.)

8. *Machinery.*—Mr. Flint says that, in general, centralized manufacture permits the largest use of special machinery, and that economies are secured through the adoption of the more economical methods which are made possible by the large volume of business. In the case of the production of reclaimed rubber, the business has been centralized in one factory instead of being done in different factories, and the cost has thereby been reduced by about 20 per cent. (34.)

9. *Running full time.*—Mr. Flint says that by running a factory full time, which can be done through the centralization of manufacture, a substantial saving is made. From recent calculations made, it has been found that the percentage saved in the cost of production by running a factory full time instead of one-half time is from 4 to 8 per cent. (34.)

10. *Administration.*—Mr. Flint states that through centralization there is some saving in the cost of superintendence, but it is not a large item. (85.)

Mr. Butler, a jobber in iron and steel, mentions the reduction of the number of men engaged in superintendence and in selling as a result of combination. There is not necessarily a saving, he says, in money, but there is a saving in the number of people doing a certain kind of work. He adds that new departments to deal with cost keeping and statistical records must be established, or old ones must be enlarged and carried to a refinement that is unnecessary in smaller concerns. This would absorb much of the labor that the organization might seem to make superfluous. (488–490.)

E. Limitations of combinations.—Mr. Butler, a jobber of iron and steel, declares that his house has never made any money by combination, but has always suffered from it. It did formerly enter into combinations. It has not done so in recent years because it does not pay. When, on one occasion, it bought out a competing house it immediately reduced its prices, because it knew that its customers would think that by means of its apparent monopoly it would enjoy for a short time a chance to take advantage of them. Mr. Butler believes that most business men would feel the same responsibility and act in the same way. (498.)

Mr. Burn, president of the National Wall Paper Company, sums up his conclusions as to the effects of consolidation as follows:

> First. That consolidation does not benefit unless it controls, especially industries in which prices are not based on intrinsic value alone.
> Second. That consolidation invites competition and antagonizes the public.
> Third. That it aids labor in enforcing its demands, enabling it to concentrate its efforts on one concern instead of dividing same among a larger number.

He explains his meaning in using the phrase intrinsic value, by saying that the price of wall paper does not depend on the intrinsic value of the articles that are used in making it, any more than the price of an oil painting depends on the value of paints. The value is purely esthetic. It depends on the taste that is brought to bear on it, the field in which it is placed, the probable output, and many other considerations. (285, 287.)

Mr. White, president of the National Salt Company, says that one great disadvantage that large corporations labor under is their inability to cater to the whims, prejudices, and ignorance, or to the tastes of individual customers. It would be impracticable to have a combination for the manufacture of clothing or millinery goods or gas fixtures or any goods as to which the public taste is capricious. Organization means system, and system means uniformity. (254, 263.)

Mr. Flint also says that through combination the number of styles of products is reduced; that this results in reduction in the cost of manufacture and in the amount of stock carried. (35.)

F. Effects of combination.—1. *Generally.*—Mr. White, president of the National Salt Company, declares that the trusts will become trustees for the conservation of labor and capital and energy. They will stop overproduction and waste and extravagance, which is the curse of labor and capital and consumer. (264.)

Mr. Waterbury, former president of the National Cordage Company, is confident that no combinations will succeed but those that introduce economies and are able

to maintain them, so that the people get cheap goods and outsiders can not compete with them. They are a real benefit to the country. (132, 133.)

Mr. BUTLER believes that the great industrial combinations work for the benefit of the people, especially in the elimination of unnecessary expenses. There are, for instance, two large concerns in the West making agricultural machinery. Fifty per cent of the cost of their product is in the distribution of it. Yet if those two concerns should combine and reduce their price 25 per cent, as they might do and still make a much larger profit than now, there would be a clamor that the farmers were being robbed. (497.)

Mr. GUNTON says that large corporations are a positive benefit. We can not go back to small concerns and recede into inferior methods without paying the price in inferior results. The natural growth of corporations is along the lines of greater productive efficiency, and the effect of such organizations on prices is a benefit to the community. The effect on wages is definitely beneficial. Labor organizations can deal better and more effectively with large corporations than they ever could with small corporations.

Some of the concerns which entered into the United States Steel Corporation, perhaps, had poor management. The corporation can bring the management of those concerns up to the standard of the best company in the consolidation. It can place an exceptional man at the head of the poorer concern, whereas this could not have been done if that concern had continued a separate enterprise. The great combination has at its disposal more managing ability and can give efficient distribution of that managing ability. (634, 635.)

Mr. ATKINSON says that there are some combinations which have used great economy in doing their work, which are managed with great skill, and which have resulted in the making of lower prices. There would have been no possibility of the low prices that have prevailed either for oil or for sugar, or for some other articles, except for the combination of the ablest possible men, working on a very big scale for the lowest possible margin. The combination of railroads has resulted in a steady, consecutive reduction in the freight charges, and a lessened margin of profit, with higher wages for the workmen, and general benefit to the public. (533.)

Mr. SPALDING says that there are some economic advantages to be derived from industrial combination. Some of the advantages are the cheapening of production, the enhancing of the quality of the output, and improvement in methods of distribution. Many of our foreign markets have been opened up by industrial combinations. Trusts are probably more competent than individuals to gauge the relation between supply and demand; but their power so to do contains a dangerous element, in that, if they choose, they can make the supply a little short and thereby cause an advance of prices. They are able to furnish greater continuity of labor, and they could effect a greater uniformity in wages, though as yet wages in this country have not been affected a great deal by the formation of trusts. (9.)

Mr. Spalding believes that trusts are hurtful because they snuff out individual effort and deprive the individual of the opportunity of rising. They destroy competition, and put it in the power of the parties in control of the trust to put up prices extortionately; and the public is at the mercy of a monopoly. It is pretty hard to say that one has direct knowledge of instances where the trusts have advanced prices, though it might be asked if there is anything, except cotton, in this country under the control of trusts the prices of which have not advanced. It is natural for a man to charge all he can get. The manner in which trusts are capitalized is another great evil. They capitalize on the basis of earning capacity, without regard to the substance behind it. When the earning capacity is gone a collapse will come, and the result will be the worst panic ever seen in this country. (2, 6, 11.)

Mr. Spalding says that, in speaking of a trust, his idea is that reference is made to combinations and pools that result in snuffing out competition. (1.)

Mr. LAMB, president of the New England Free Trade League, says that a trust, as the word is used now, means an organization which has a practical control or monopoly. The formation of trusts, in addition to permitting extortion to be practiced on the consumer, and to putting a tax on our export trade, has resulted in doing away with services that were formerly rendered. The trusts have crowded out the middleman, and the services he used to render are not now rendered at all. Under a system of competition there is rarely a time, even in a brisk period of business, when it is not for the interest of some mill to agree to furnish its goods promptly to would-be purchasers; but where there is one seller, the trust, it has been proven by experience that the order will be filled when it is for the advantage of the trust to fill it. Wherever competition ceases, the spur to produce better goods becomes less sharp, and deterioration in the quality of goods has resulted from the formation of trusts. (584, 587, 588.)

Mr. TAYLER says that nothing could be more ideal than combination not governed by the selfish demands of men, because, through combination, the thing produced would reach the consumer with the least possible expense. But Mr. Tayler does not think that any set of men can be trusted with the power possessed by those in control of the industrial combinations as we now find them. There has never been any combination or any individual that had power that exercised that power wisely in any other way than selfishly. (603, 606, 607.)

2. *Effect on competitors and competition.*—Mr. BUTLER, a jobber in iron and steel, does not think the various consolidations have made any attempt to stifle competition. He is confident that the ultimate result of them is to increase competition. "If every manufacturer would keep his profits down to a 6 per cent basis he would not have much competition, but if by any apparent monopoly he magnifies those profits it is an encouragement to other people to enter into competition with him." (490.)

Mr. Butler declares it to be a general law that combinations are always advantageous to the small concerns outside of them. "A large concern has to appear under a formal, and generally under a public, programme; a small concern has the advantage of keeping its methods and its operations to itself. It can seek specialties on which there is a larger profit. It can conform its operations to the peculiar requirements of its customers, and it has the right to make a slight concession at all times, and in a way that is not known to the large concern." The smaller a manufacturer the greater his percentage of profit must be, however, because the fixed charges of a small concern are proportionately great. (492.)

Mr. FLINT says that the only way in which a concern can destroy competition is by creating and maintaining facilities for a lower cost of production and by making a lower price to the consumer than others can make. Industrial combinations, unless they are favored by Government franchises or by Government patents, are subject to the law that "the lowest price makes the market." (89.)

Mr. BURN, president of the National Wall Paper Company, does not think that the public need fear the trusts. If they attempt to become oppressive by advancing prices they arouse competition, and the problem solves itself. He can conceive that so absolute a control of an article might be obtained that it could be made permanent; "but even then it might not be anything very oppressive, because if the parties handled it rightly they would not try to squeeze too much out of the public." The experience of his own company tends to show the effectiveness of competition. Mr. Burn believes that many great corporations existing to-day would dissolve if they possibly could, but are so involved that they can not. (293, 301, 304.)

Mr. CHAPMAN does not believe that large combinations are necessarily going to keep out all competition. If the combination is not managed wisely it will build up a lot of small competitors who will find a place to sell their goods, even in competition with a big monopoly. (110.)

Mr. SPALDING says that any advance or price in an article tends to invite competition, and that the problem of trust regulation has a tendency to solve itself through the existence of that fact. Mr. Spalding does not think, however, that there is any real competition in the sugar industry. Competition in that industry is alleged for speculative purposes. All the competition in this country in the oil industry has pretty well passed away, and the Standard Oil Company is doing the business. (10.)

Mr. TAYLER says that theoretically a monopoly, other than a natural monopoly, so called, is impossible, but practically we have monopolies in some lines of business. The popular understanding is that the Standard Oil Company fixes the price of oil in this country. According to newspaper report, they have made contracts for securing the output of the Texas oil fields. (607.)

Mr. ATKINSON says that combinations try to eliminate competition. It is doubtful if they will ultimately succeed. Not less than 2 years after the organization of some big combinations they were about to be subjected to competition from new works, which produced three-fifths as much as the concerns which went into the combination. Competition is the great force that animates trade and commerce, and can not be suppressed by combinations or other devices. Through competition the volume of product is augmented, and the cost of each unit is diminished; the rates of wages are raised, and the margin of profit is lessened. (534.)

Mr. HOLT, secretary of the tariff-reform committee of the Reform Club, of New York City, says that not only does the modern trust include the full control of one industry, but it includes the control of all allied industries whose plants could be easily turned from the production of one to another of the products. It also includes some of the industries which produce different but competing products. The same set of men now practically controls the supply of petroleum, of iron ore, of iron and steel, of coal, of copper, of salt, and of hundreds of products and by-products made

from these articles. They also own many local municipal monopolies in gas, electricity, street railways, etc. They also, through a "community of interest," control our principal trunk lines of railroads, nearly all of our lake steamers, and many of our ocean transport lines. (553.)

3. *Effect on prices.*—Mr. FLINT says that, in his judgment, the ultimate result of industrial combinations will be a reduction in prices. In general it has been demonstrated that the most successful industrials have been those that have recognized the advantage of large value and low prices. (90.)

Mr. BUTLER, a jobber in iron and steel, has no doubt that the effect of combinations is, in the long run, to lower prices. This results partly from the stimulation of new competition. It is also partly due to the increased ability to introduce improvements and economies, which results from the temporary increase of profits. Thus, in Mr. Butler's judgment, the tin plate manufacturers of Wales have been unable to introduce labor-saving devices such as American manufacturers have introduced, for the very reason that their profits have been small, and they have not been able to accumulate the necessary capital. When profits have for a time been increased by a combination and the reaction comes, through competition and other causes, the manufacturers are driven to adopt every possible improvement in order to carry on their business without loss, and their accumulated profits make it possible to adopt improvements. (490, 491.)

Mr. CHAPMAN says that self-preservation will always prevent any combination from putting the price of its products up to a point which will invite and build up competition. The interest of the combination is in keeping the price as low as possible. The history of combinations thus far in this country shows that prices have been steadily reduced as savings have been effected. In certain lines the margin between cost and selling price has been reduced. Where the cost of production has been largely decreased, the policy has been to give the purchaser as much of that reduction as possible, allowing for a fair interest on the capital invested. Through combinations economies have been effected and consumers have had a part of the benefit of those economies, so that ordinarily there has been an absolute lowering of prices to the consumer. In cases where a combination has a monopoly through patents or trademarks it would be natural to make prices higher. In cases where a combination had a monopoly in any line through complete control of the raw material, there would be danger. (103, 104, 107, 110.)

Mr. Chapman states that although the Brooklyn Union Gas Company has the monopoly of the entire city of Brooklyn, the price of gas has been reduced. The average price of gas under the separate companies was $1.25 per 1,000; the price has been reduced by 5 cents each year until now it is $1. The act was voluntary and not caused by legislative action. There has been no material difference in the cost of production. (106.)

Mr. HOPKINS says that any attempt at an inordinate profit in the carrying on of any considerable business is an assured invitation to rivalries and competition. The only protection is to keep the price low and to rely for returns upon magnitude of transactions and not upon an extravagant rate of profit. Low prices mean enlarged output, and combination makes low prices possible. For a combination to be successful it is essential that the character of the product be kept up to the highest possible standard, and be furnished at the lowest possible price. (344.)

Mr. WHITE, president of the National Salt Company, declares that the only evil that can result to the public from combination is the ability to demand extortionate prices; but industrial organizations have no such power because they have no protection from competition. Their success depends on their ability to produce better goods and sell them cheaper than their competitors. Exorbitant prices can be demanded only by a monopoly, created by the Patent Office or by a franchise from the State. (263.)

Mr. GRIMWOOD thinks that in these days, with the experience that many managers of combinations have had, the tendency is to make the best goods at the lowest price, and put them on the market at a fair profit, so as to keep the price of the manufactured goods down. (123.)

Mr. GUNTON says that none of the large combinations are able to fix prices arbitrarily. A large concern has not the power to put prices up abnormally. The only power it has, and which it can exercise absolutely, is the power to put prices down. A real monopoly can put the prices up, but so long as there is a competitor outside the so-called monopolies can not put prices up without the consent of their competitors. If steel rails go up, it is not chargeable to the large concerns any more than to the little ones.

Mr. Gunton presents a table giving the average freight rates for the years from 1873 to 1900, and showing that there has been a continuous reduction of rates. He

also submits tables giving the prices of iron and steel products, of other metals, and of sugar and petroleum during the years 1900 and 1901, that being, Mr. Gunton states, the time during which the tremendous amount of industrial organization and consolidation has been going on. (626, 627, 635.)

Mr. SCHWAB sees no wrong in the system of basing the prices of goods, wherever they may be shipped from, on a fixed price plus the freight from an assumed central point, as Pittsburg. Indeed, this is the only way of obtaining uniformity of price. If shipments are actually made from a point which has a lower freight rate than Pittsburg to the given market, that mill has the advantage of its location, which is entirely legitimate. (469, 470.)

Mr. HILLYER says that, in general, industrial combinations are formed for the purpose of putting up prices. That has been the case in the instances that have come under his observation. Combinations are enabled to dispense with a large number of traveling salesmen and agents, and can make savings through concentration of management. These facts would enable them to put prices down, but there is some doubt as to whether the body politic is sufficiently benefited by the small amount of reduction which has been made in certain articles to pay for the loss suffered through the throwing of people out of employment. Although in some cases there has been a reduction of prices, there has also been a larger net income to the company on account of the savings made through combination. It is difficult to say that the lowering of prices on articles manufactured by combinations has been due to the formation of those combinations. The enormous improvements which have been made in methods and the new inventions would have brought about a great reduction in the cost of production anyway. The concentration of energy brought about through combination may have aided to some extent in lowering the cost of production. (12, 13.)

Mr. TAYLER says that undoubtedly, through combination, there is greater opportunity to reduce the cost of production, but he has no idea that the public is going to get very much benefit from it. The properties of the United States Steel Corporation did not cost one-third of the amount at which they are capitalized. The stocks were sold to the public upon the basis of their supposed earning power, and their earning power was determined in the public mind by the fact that the concern is nearly a monopoly and therefore can control the market and fix prices. The people who bought the securities are going to demand a return upon them; and if they receive any full return for what they have paid for those securities in the market, they are going to extract something from the public. It is said that the Standard Oil Company has reduced the cost of oil, and it undoubtedly has; but the cost would have been reduced still more if competitive enterprise had continued in the business. It can not be said that there has been any great service rendered to the public when the market value of the securities of the Standard Oil Company is approximately $800,000,000, based solely upon the earning power of that which cost approximately one-tenth of that amount. (606, 609.)

Mr. LA TASTE says that, in his opinion, there is no reduction of prices to the consumer through the formation of industrial combinations. There has been no reduction in the retail price of baking powders since the formation of the baking powder combination. (28.)

Mr. KLINCK, a meat packer of Buffalo, says that the Western packers have their agents in Buffalo who sell to the local butchers and have gone so far as to sell at retail. They can compete in the Buffalo market and undersell Mr. Klinck, though Mr. Klinck has the same facilities for manufacturing the by-products that the Chicago packers have. Mr. Klinck buys his cattle in the Buffalo market, and the supply is abundant. When he has to buy cattle in Chicago, he figures on paying about 35 cents more per hundred pounds. That is on account of freight and shrinkage. Mr. Klinck does not think that the system established by the great packers of distributing all over the country is advantageous to the consumers. They sell close in cities like New York and Buffalo, "but when they go into a country place where there is no competition the people have to suffer." (275.)

Mr. Klinck presents tables showing the prices which he has paid for various supplies used in his business during the last 10 years. In most cases the figures show a decline from 1891 to about 1897, and then an increase to the time of Mr. Klinck's testimony in 1901. (276–281.)

Mr. LAMB, president of the New England Free Trade League, says that prices are made arbitrarily by the tariff trusts, and are not based on the law of supply and demand, or upon the general run of the market. When a trust, for its own reasons, desires to drop the price of its product, it does so without warning. The price of lead, for instance, was arbitrarily dropped without warning in the year 1900; and, when the objects which led the trust to drop the price were obtained, the price was arbitrarily put up again. (586, 587.)

Mr. HOLT, secretary of the Tariff Reform Committee of the Reform Club of New York City, says that if the trusts have not at any time collected from the American consumers all that the tariff has permitted them to collect in the way of prices, it is either because they have not fully appreciated the situation and have not gotten together sufficiently to stop all internal competition or because the full-limit price would greatly lessen consumption and would not yield as great a net profit as lower prices. (552, 553.)

Mr. Holt gives figures to show the effect of trust control on the prices of window glass, tin plate, wire nails, and barbed wire. (557–559, 561, 565, 566, 576, 577.)

Mr. HILLYER, a lawyer of Atlanta, Ga., says that because of the combination of the cast-iron pipe manufacturers, the city of Atlanta was obliged, for 2 years, to pay $6 or $7 per ton more for pipe than it should have paid. Mr. Hillyer understands that certain territory was awarded to particular members of the combination and that there was an agreement among the manufacturers that bids in territory allotted to another should be above a certain figure and that the company to whom the territory had been allotted should put in the lowest bid. Since the decision of the United States Supreme Court declaring an agreement of this sort illegal, the pipe companies have sold out their capital stock, so Mr. Hillyer has been informed, to one another, and have formed a combination of ownership. (11, 12.)

4. *Efficiency of management.*—Mr. FLINT says there is always a disadvantage in combinations which are not properly managed. Unless substantial economies can be secured by combination, it is better for the parties to run their business independently. Centralized management is most desirable, if there are men of sufficient intellectual capacity to administer an extended business. One of the dangers to the success of industrial combinations is that such men are not always to be had. Where the business is of such a character that its conduct can not be reduced to rules, where its success depends on local ability and local judgment, and where the efficiency of the selling department is involved in long-time personal relations, it would be wiser to sustain the independence and individuality of the separate concerns, because in that way the individual interest that is essential to success is sustained. (84, 91.)

Mr. BURN, president of the National Wall Paper Company, believes that factories operated by individual owners are likely to be more profitable than they would be if looked after by hired labor. (295.)

Mr. WATERBURY, former president of the National Cordage Company, says that the outsiders have an advantage in nearly every combination. In the cordage business and in most businesses a large mill properly run is better than a combination of mills. It is partly a question of executive ability. To run a number of plants together is very difficult and requires a high order of intellect. (132, 133.)

Mr. FLINT says that in case of a world-wide combination in the rubber industry the manufacturing would be done in countries where the merchandise could be produced to the best advantage in relation to the market for it. Mr. Flint does not think a world-wide combination practicable. The chief difficulty experienced by combinations is the finding of men of sufficient capacity to handle such extended business. (87, 88.)

Mr. SCHWAB says that while a point might possibly be reached at which the size of single businesses might be too great for any personal administrative capacity that could be found, he thinks that point a long distance off. Mr. Schwab does not, however, think it possible to form a world-wide combination in the steel business. (463, 465.)

Mr. BUTLER holds that the efficiency of administration ought theoretically to be greater in a large establishment than in a small one. He would secure this efficiency, however, by giving a share of the profits to those who take part in securing the profits. This is the method which has been followed in his own business, and he thinks it is the way the successful concerns in general have followed. (490.)

Mr. FLINT says that in all the companies with which he is connected reports of the separate concerns are compared every month. Through this system of comparative accounting it is possible to measure the different managements, and the system tends to bring the standard of all up to the standard of the best. When a man knows that his work is to be compared with that of others his pride acts as an added incentive for doing his best work. Details as well as general results should be compared. (84, 85.)

5. *Effect on employment and wages.*—Mr. BUTLER believes that the influence of combination on wages has been beneficial. The concerns that are the most successful pay the highest wages. The wage earner can secure better terms from one who is making money than from one who is not, and he has greater opportunities of learning the facts about a large organization than about a small organization or an individual owner. (488.)

Mr. SCHWAB believes that the result of these great consolidations of capital will be advantageous both to the investor and to the employee. Workingmen will receive the greatest benefits when capital is earning a fair return. Capitalists desire to pay employees good wages. Things go smoothly then and business gives little trouble. These great consolidations will bring about the sale of finished products at reasonable prices, will permit the extension of the use of steel, and will permit the payment of good wages to the workmen. Mr. Schwab thinks, however, that the formation of a consolidation like the United States Steel Corporation adds very much to the power of the employers against any particular class of employees. (473, 474.)

Mr. Schwab says that some men of the class that directs and superintends are thrown out of employment by consolidation, but that the working people feel no such effect. It is only the superintendents and the higher-salaried class. (459.)

Mr. FLINT says that, through the formation of combinations, wages are to a large extent sustained. In respect to the combinations with which he is connected, there has not since their formation been any substantial change in the rates of wages paid. Work has, however, been more permanent. In general, although combinations, in order to produce under the most economic conditions, throw workmen out of employment, there is in the United States sufficient employment during periods of prosperity to enable a workman to find employment in other lines, and the general effect is that the workman gets more money for his work and more produce for his money. The wage-earner has never been as well off in this country as he is to-day. It is largely due to the prosperity which has to a great extent been brought about through industrial combinations. There is a growing feeling on the part of the workingmen that they are being benefited by the conditions now existing. (89, 90.)

Mr. GUNTON says that he has taken from the census reports of 1880 and 1890 the number of persons employed and the wages paid in those years in 64 different industries in which large capital has been employed; and that he has found in every case, except one, that, while the product per man has been increased through the use of machinery, the number of employees has also been increased and the wages per laborer have risen. The one exception was in the manufacture of watch cases. Mr. Gunton submits a table giving the number of hands employed in these 64 industries in 1880 and 1890, the yearly wages paid per employee in each of these 2 years, and the amount and percentage of the increase in wages. (637, 638.)

6. *Effects on individuality and opportunities for advancement.*—Mr. SCHWAB declares that, under the old plan of individual business, the skilled worker had only a limited opportunity for increased pay and practically none for participation as a partner. Mr. Schwab tries to put his whole business on such a basis that the skilled operator and the valuable man may make something other than a salary; something in the form of a holding in the company, just as was done in the Carnegie company. The opportunities for any man, workingman, or manager, or any man who has to use his brains, were never so great as they are to-day. Never has there been such a scarcity of the special men that great manufacturing concerns and capitalists desire. The man of exceptional ability has a better opportunity than ever, Mr. Schwab thinks, to become a large owner. As to the man with a small capital to start with, his opportunities are not increased. (459.)

Mr. ATKINSON says that it is an error to suppose that the big department stores or manufacturing enterprises are absorbing the little ones. There are more small shops for distribution in ratio to the population now than ever before. There are more small workshops scattered throughout the land than ever before, especially in the South. Not more than 10 per cent of the working forces can be gathered as operatives under the collective system of the great factory and of the great workshop. (522.)

7. *Regulation of production.*—Mr. WHITE, president of the National Salt Company, considers that the power of a large company to regulate production is chiefly of importance in that it prevents a piling up of goods to depreciate by holding, and that it results in a regularity of producing activity instead of ups and downs. (264.)

Mr. FLINT says that one of the great advantages of industrial combination is that production is regulated. Where there are a large number of competing concerns and no general understanding, there is a tendency to overproduction, with the result that markets become demoralized, failures ensue, and panics occur. Regulation of production through combination tends to prevent these evils. (35, 92.)

Mr. CHAPMAN says that combination, through being able to regulate production, will have an influence in averting panics. The United States Steel Company, if wisely managed, will prove to be a regulator of production. (109.)

8. *Diffusion of ownership.*—Mr. FLINT says that there are a hundred times as many people interested in industrials now as there were 25 years ago, and there will probably be a hundred times as many more at the end of the next 10 years. In general the managers of industrial combinations are the largest stockholders. (91.)

9. *Effect on invention.*—Mr. SCHWAB declares that the great consolidations, so far from checking invention, most effectively promote it. The manufacturing world has never been so anxious for an invention as to-day and never ready to pay such high prices for it. Men are receiving better compensation for invention and new processes than ever before in the history of the business. The salaries of skilled men have never been so high, and Mr. Schwab thinks they will continue to increase. (463.)

10. *Relation to money market.*—Mr. SPALDING says that the cornering of money is not done by any industrial trust, and the interstate-commerce restrictions on trusts would not reach the cornering of money. (9.)

11. *Corruption of politics.*—Mr. HOLT says that the evils of trusts have extended into political life, and it is because the protected trusts have completely corrupted politics and have sent their agents to Congress that the protected interests have for years dictated tariff legislation at Washington. (554.)

Mr. HILLYER says that the aggregation of power which has been brought about through combination is a dangerous element—a menace to the political independence of the people. It has in a high degree corrupted the choice of rulers, and after a while will perhaps become corrupting to their conduct. The great evil of industrial combination lies in the fact that it creates monopolies. (15, 18.)

XXXIII.—LEGISLATIVE REMEDIES FOR THE EVILS OF COMBINATION.

Mr. CHISHOLM, president of the International Paper Company, says that in his opinion no legislation concerning industrial combinations is necessary. All combinations that manufacture and distribute goods at a lower cost to the consumer will succeed, and no legislation can prevent it; and any combination formed for the purpose of artificially raising prices by buying up competing firms wll fail in the end without any legislation. (438.)

Mr. WATERBURY, former president of the National Cordage Company, does not think that legislation on the subject of combinations is necessary, because a combination which does not benefit the public will be killed by outside competition. (137.)

Mr. BUTLER, a jobber in iron and steel, has no faith in legislation as a remedy for any possible evils of combination. The public has not benefited by its attempts at legislative restraint of railroads. Mr. Butler is an advocate of "free and unrestricted competition, operating under our laws of to-day." Competition is slower in its operation when large enterprises are involved, but in the end the result is the same. Any legislative interference seems to Mr. Butler to involve a restraint of trade, and to lessen competition rather than to increase it. If the combinations themselves make any effort to restrain trade the results will react upon them. They and not the consumer will suffer. Competition will not cease so long as there is a human mind. It is to be hereafter on a larger scale, with less waste and more intelligence, less speculation and more openness. (489, 497, 498.)

Mr. CHAPMAN does not think it wise to attempt to control the business of the citizen by legislative enactment. If the time ever comes when a monopoly has become established it may be necessary to legislate about it. Any general legislation at this time might seriously interfere with the position this country is taking in the markets of the world. (110.)

Mr. GRIMWOOD thinks that legislation inimical to agreements among manufacturers would be very hurtful, not only to the manufacturers, but to laboring men. As soon as there is no money in a business two results follow: The manufacturer is tempted to get even by making inferior goods—though this is a false policy; and he is tempted to cut wages. (123.)

Mr. HOPKINS, president of the Sloss-Sheffield Iron and Steel Company, does not know whether the good times have caused the combinations, or the combinations have caused the good times. He thinks a little of both. At any rate, he believes that anything that will hurt these combinations will be harmful to the people. (513.)

Mr. WHITE, president of the National Salt Company, says that trusts must be regulated, and that, since they derive the right to live from the State, the State has the right to say how they shall use that right. They are moved by the same motives that move all humanity to get all they can, particularly under the system of individualism under which we are living. If the subject is handled intelligently, and perhaps some tax placed on what might be considered excessive earnings, there will be no excessive earnings. (265.)

Mr. FLINT says that, in general, affairs of trade are best regulated by natural laws. It is difficult to suggest legislation of any radical character that can supplant to

advantage the natural law of supply and demand. While it is desirable that there should be a proper system sustained of auditing and accounting, and that there should be regulation as to the issuing of securities, the evils which have developed in connection with the organization of industries are being corrected by natural laws. (92, 93.)

Mr. McIntyre, director of the Standard Milling Company, thinks that the watering of stock should be checked by law and the capitalization of industrial combinations restricted to the actual value of the properties. (682.)

Mr. Chapman thinks that there might be cases where the amount of capital stock ought to be limited. An unlimited issue of stock without any reference whatever to the property for which it is issued might result in imposition upon the public. With an unlimited issue of stock there would be no way of ascertaining the value of shares except by going into the question of the assets and earning power of the company. The limitation of stock issued will be for the protection of the investor. (108.)

Mr. Campbell says that corporations whose stocks are sold to the public on exchanges should be under governmental control. There should be government examiners for industrial corporations, and the corporations should not be allowed to sell goods at different prices in different States. They should also be prohibited from making contracts with purchasers of their goods that the goods of other companies should not be handled. These exclusive contracts are in restraint of trade, but there is difficulty in getting redress under the Sherman Anti-Trust Law, because it is impossible to get voluntary evidence. If there were a law compelling the men who had entered into these contracts to go up and testify under oath, redress might be had. A law has recently been passed in Massachusetts forbidding the making of such contracts by any person, firm, or corporation doing business in the State, and providing penalties for those violating the law. A national law would be better if it were enforced. It may be that the national law covers the ground now, but so far it has not been thought worth while to bring the matter before the United States district attorney. In Massachusetts the facts are well known, and the State district attorney would probably take proceedings if the law were violated. (311, 315, 316.)

Mr. Landstreet also says that a distinction might be made between corporations whose stocks are listed and sold on the public market, and those whose stocks are not. (339.)

Mr. Lamb, president of the New England Free Trade League, says that legislation is desirable which will not interfere with the benefits of industrial combinations, but which will insure the sharing of the benefits with the community. In the case of tariff trusts, the only remedy is the removal of the protective tariff. (588.)

Mr. Spalding says that dealing with trusts is a national question. Their existence is a national evil, and the remedy will have to be a national remedy. The separate States can not handle the question. There is one set of laws in one State and another set of laws in another State. It produces an irritating local condition if an attempt is made to deal with a question which is national from a local standpoint. If any regulative law is enacted it will be necessary to provide machinery for the carrying out of the law, (3, 8.)

Mr. Spalding believes that it is practicable to enact national legislation which will forbid any trust, combination, pool, or monoply to put prices down so as to destroy competition, or to put them up to a point of extortion. He thinks that legislative regulation of prices should not go further than that. There is a difference between industrial combinations and railroads. The railroad company is a quasi-public corporation. It discharges public functions and has the right of eminent domain. It is of necessity a monopoly, because there can not be two railroads side by side. Therefore, the law against discriminations in freights does not present a principle which can be followed in the regulation of prices of industrial products. (5, 7.)

Mr. Gunton holds that large corporations ought to have their charters from the Federal Government, and be under Federal control. Whatever restrictions are necessary could be put into the Federal charter. (638, 639.)

Mr. Gunton also says that one thing which ought to be accomplished in respect to large corporations is that the prices of the products of any one concern shall be the same in all localities, the cost of transportation considered. If a large concern makes the price of its product in one vicinity double the price which it makes for its product in another vicinity, where the cost of transportation is substantially the same, that is not competition; it is persecution, and it ought to be prohibited. (634.)

Mr. Hillyer also considers that the remedies for most of the evils of trusts lie with the National Government. It is beyond the power of the State governments to reach all the evils. There are a few evils, however, which are within reach of the municipal governments. The first step to be taken is to enforce the Sherman law,

amending it so that it will reach the case of combined ownership as well as of combination, and also perhaps amending it so as to deny to combinations the right to ship their products across State lines. Also, wherever the trust is dependent on the tariff for getting a higher price for its product, the tariff ought to be taken off, unless there is some reason for doing otherwise. If, in the judgment of Congress, the Constitution is in the way of effectual legislation against trusts, the Constitution should be amended. The most hopeful remedy for trusts, however, is to be found in Government ownership, and if trusts can not be done away with through any of the other means suggested, the Government should go into the business of manufacturing the products manufactured by trusts. (15, 16, 17.)

Mr. SPALDING also suggests that trusts might be abolished by the passage of a law by Congress similar to the law which broke up the lottery business; a law which should provide that they should not use the mails, or a law which should prohibit their shipping their products across State lines. It could be made a misdemeanor for a trust to send goods from one State into another, and a misdemeanor for a transportation company to handle the products of trusts in interstate commerce. If the trust should, for the purpose of evading the effects of this law, build a plant in every State for the supplying of wants of that State, that would do away with a great many of the offensive features of trusts and combinations, because it would do away with the centralization of the industry, and would compel the trust to maintain a plant and a separate organization in each State.

The requirement that the trust give publicity to its operations would be a good thing. Mr. Spalding would advocate any method of dealing with trusts which could constitutionally be adopted, either under the power to regulate interstate commerce, or under the taxing power. (4-6, 8.)

Mr. PIEL, president of the National Starch Company, says that the requiring of a reasonable publicity regarding the condition of the business of industrial combinations from year to year is desirable. (673.)

Mr. SCHWAB does not favor publicity of the accounts of corporations. Certain statements stockholders are entitled to, and to give them to stockholders amounts to publishing them; but he would not regard a high degree of publicity of accounts as desirable. (474.)

Mr. TAYLER thinks that the requirement of publicity in respect to trust affairs would be but a scratch on the surface in remedying trust evils. The different States can, to a degree, control industrial combinations, since they permit the corporations of other States to do business only under such rules as they see fit to lay down. The States are, of course, powerless in the matter of interstate commerce. An approach to dealing with industrial combinations through the power to control interstate commerce was made at the first session of the Fifty-sixth Congress, when a bill was introduced which provided for a method of making it unlawful to transport goods that are made by illegal combinations. (606, 608, 609.)

XXXIV.—THE PROTECTIVE TARIFF.

A. General historical statements.—Mr. Edward ATKINSON says it is not true that the fiscal policy of this country from 1789 to the present time has been that of protection. Hamilton's tariff and all tariffs prior to 1816 were almost purely revenue measures. They would all be scouted to-day as being the most extravagant of free trade measures. It was not until after the war of 1812 and the unwholesome stimulus given to certain branches of industry by the exclusion of British goods that there was any real protective effort, and that effort did not really take shape until 1824. It is true that ocean freights were higher then and raised the cost of the imported products. Just as fast as the cost of transportation has been diminished we have put up a legal obstruction. (544.)

Mr. GUNTON says that in 1820 Daniel Webster spoke in favor of free trade, but later he recanted and attributed his remarks to his youth and immature judgment. In all his speeches after 1824 Webster was pronouncedly for protection. Mr. Gunton quotes from a number of speeches made by Webster in favor of a protective tariff. (623, 624.)

Mr. ATKINSON says that the tariff of 1846, being a horizontal tariff, putting up the duties on wool while it put down the duties on goods, had a very disastrous effect. The effect was attributed to free trade, but it was really due to the advance in the duties on wool. The period from 1857 to the beginning of the civil war showed the most steady and constant development of the textile manufactures of this country that has ever been known. The panic of 1857 was purely a financial panic and did not interfere with the progress of arts and industry, and in 1858 great prosperity had returned. (541.)

Mr. Atkinson also says that the industrial depression during the years immediately following the enactment of the Wilson law was not in any degree the result of the tariff policy embodied in that law, but was entirely due to the silver craze. Every industry that rested on credit was affected, and there was a change in the tariff policy that happened to accompany it. The evil influence of the panic of 1893 was vastly greater than the beneficial influences of the Wilson law, but, in spite of all that, the specially protected arts which had feared the Wilson bill became more and more prosperous. (530, 543.)

Tariff legislation in England.—Mr. GUNTON says that from the time of Edward III down to 1842 England pursued very persistently a protective policy. She would not allow machinery to go out of the country, and even prohibited the exportation of patterns or blue prints of machinery, and prohibited also the emigration of mechanics who could build or set up machinery. She had a 50 years' start of the world in machinery, and had practically a monopoly of all the steam machinery in the world. She had the factories, she had the products, she wanted the markets; she could produce, but she could not sell. It was wise for her to take the duties off from her manufactures because there was no necessity for these duties. It was not wise for her to take the duties entirely off from breadstuffs. There is not a spot in Christendom where wages have not increased since that time, except the agricultural districts of England. Land is actually going out of cultivation.

The position of this country at the time of our adoption of the protective system was just the reverse of that of England. We could buy, but we could not produce. What we wanted therefore was not foreign markets but our own market. To become a manufacturing country it was necessary for us to adopt the protective tariff system. (622, 623.)

Mr. ATKINSON says that in 1840 the number of paupers and the general poverty and distress in England were greater than at any period before or since.

Hume's report on the British tariff in 1842 disclosed the fact that there were 1,250 separate specifications, that the average duty was 28 per cent, and the amount of revenue about £10,000,000. It also disclosed the fact that less than 50 of those specifications yielded more than 75 per cent of the revenue. In Peel's first great act, 500 petty articles, which had previously yielded £2,000,000, were put on the free list. Such was the instant beneficial effect of the removal even of these 500 petty taxes that at the end of 3 years the 750 articles remaining dutiable yielded the full sum of £10,000,000. In Peel's second measure of 1845 the duty was removed from about 700 articles, and only 50 were left subject to duty. These 700 had yielded £3,000,000. In 3 years, although the Irish famine ensued and the corn law went by the board, the revenue from the 50 remaining articles was again about £10,000,000. In 1863 the shilling duty on corn was remitted, and there remained for many years, down to a very recent period, only 6 or 8 dutiable articles, yielding as much income as the 1,250 articles had yielded when the reform began. (525, 526.)

B. Effect of tariff on industry.—Mr. LAMB, president of the New England Free Trade League, says he does not believe that a high tariff always injures trade and that a low one always promotes it. The great factors that affect trade are far beyond any control through changes in the tariff policy. Our tariff history is a confirmation of this fact. Under the tariff of 1846, which was a tariff made in the direction of free trade, the prosperity of the country was very great. There were great reasons entirely independent of the tariff for the wonderful prosperity of the country; among others, the discovery of gold. During the years from 1873 to 1878, under a high protective tariff, there was widespread industrial depression. There was an inflated currency at that time and the country was in bad condition to meet hard times. There was depression in business in the year 1893 under the McKinley tariff. It continued under the Wilson tariff and for a time under the Dingley tariff. Our present prosperity is due to the general commercial activity that has swept over the whole world, and further to the very fortunate combination of circumstances that has enabled us to supply large exports of agricultural products at a time when there was a short supply and a great demand for them. During the years from 1894 to 1897 we shared in the very general commercial depression that existed all over the world, aggravated by the condition of our currency. The industrial depression of these years was not caused to any great extent by our tariff policy. Business generally improved after the passage of the tariff in 1894, and there has been a steady improvement from then on. The importation of goods in respect to which there had been a change in the tariff in some cases increased for a while under the Wilson tariff and fell off again when American producers, through a lowering of the cost of production, were able so to meet competition that it was no longer advantageous to purchase goods abroad. In some, but not in most, cases, the reduction in the cost of production was secured by a reduction in wages. The effect of the election

of 1892, so far as may be judged by the state of the stock market, was absolutely nothing. Conditions in 1892 were regarded by the best observers as "shaky."

The increases in price made by the tariff trusts stop consumers from buying, and therefore check trade. The steel trusts, for instance, have imposed a great check on building operations. Almost the whole year 1899 was a time of great oppression to those engaged in building operations, and the steel trusts finally learned that the exorbitant prices they were asking affected their own business so injuriously that for their own interests they lowered their prices. (586.)

We had thriving manufactures in this country before the Constitution of the United States was framed. The high cost of transportation at that time was a protection to the manufacturers in this country, in that it was not possible for anybody abroad to render to our people the service which was being rendered by our own manufacturers. When the cost of transportation became very much reduced it became possible for others to render a greater service. Had our manufacturers been permitted to retain all their natural advantages they could in most cases have competed with foreign producers in spite of the disappearance of the protection given to them by the high cost of transportation. (586, 589, 590, 595, 598, 599.)

Mr. ATKINSON says that this country has never been a purely agricultural country from the time of the settlement of the colonies to the present time. The progress of manufactures has gone on since 1750. The manufacture of iron and steel, of wool fabrics, of cordage, of flax, of hats, and many other branches was well established in the colonies before the Revolution. Alexander Hamilton in his report on manufactures names all these arts as being "successfully established." (518, 544.)

Nearly all our manufactures have been established here from necessity rather than from choice. The great body of small industries that constitute the real manufactures of this country have gone on progressing and prospering through all periods, without any regard to ups or downs in the tariff, because the tariff has no effect upon them, except as consumers. The inventions of the country, the development of wages, and the application of science and inventive genius, have gone on irrespective of the tariff policy. At different periods of our history there has been a policy more or less protective, or more or less free trade; and accompanying either one of these policies, without any apparent reference to what that policy might be, inventors have gone on inventing because they could not help themselves. In no other country is the cost of labor per unit of product so low; in no other country have so few men been diverted from the constructive work of peace to the destructive pursuit of war. So far as the principle of liberty has been permitted to take its free course our domestic industry has been promoted and our home and foreign markets have been established and assured. So far as liberty has been restricted by the perversion of public taxation for the promotion of a very few special private interests, manufactures have been retarded; the protective system has retarded the manufacturing progress of the country. By our duties on raw materials we protect the ironmaster of Great Britain in the commerce of the world. The little petty duties on scrap iron and scrap steel still retard the small industries of the coast. It is impossible to establish and maintain woolen and worsted manufactures without the untaxed import of the wools of the world. In our treatment of raw cloth and unscoured wool we fail. When our Southern cotton growers give as much attention to quality and preparation as they give to quantity, we shall cease to depend on Egypt, even for the cotton needed in our finest work. When the attention of intelligent men is given to sheep breeding on the cotton fields of the Piedmont district, wool will be protected, and we shall then compete on more than even terms with the semibarbarous methods of the ranches of Australia and the pampas of South America. If we could have free sugar we could establish an enormous export trade in fruits and condensed milk. Some of the industries now existing in this country might not have been established except for the protective tariff, but other better branches would have existed, because we can not buy foreign goods without exporting our own. The growth of the iron industry in the South in competition with the ironmasters of Pennsylvania, and of the cotton industry in competitton with the textile factories of New England, affords an example of the development of industry which can be had through skill and capacity without other protection. (519–521, 539–541, 543.)

Mr. GUNTON, on the other hand, declares that the South has not developed a single manufacturing industry out of its own conditions. It is enjoying great prosperity to-day, but it is because the instruments of production have been transplanted from New England, where the struggle under protective conditions has been going on for 30 years or more. The South, instead of having developed its prosperity independent of protection, has had it given to it ready made, because of the development under protection which has taken place in New England. **(621.)**

Mr. Atkinson says that the protective tariff system has made many of the specially protected arts among the most variable, and has been productive of the greatest bankruptcy. There is hardly a woolen mill in Massachusetts to-day that has not been bankrupt. In wool manufacture there will be found more variation, more fluctuation, more bankruptcy than in almost any other. Cotton manufacture has not paid 6 per cent right along. The record of calico print works for 50 years is a record of bankruptcy. Hardly one exists that has not been bankrupt once; some twice. In the manufacture of boots and shoes, on the other hand, there has been constant development and there have been almost no bankruptcies. The tariff on boots and shoes is entirely inoperative, except on the high-priced, handmade English goods. Many other tariff obstructions have in like manner been overcome through science and invention. Among them are the large duties on steel and iron; they have become inoperative. (537, 539, 540.)

By enabling the steel manufacturers of Pittsburg to sell their goods in the South at points where the transportation charges are greater from Pittsburg than the water rates from England would be the tariff is a protection to Pittsburg. If, however, pig iron were admitted free of duty steel manufactories might be established on the coast which would not be subject to the handicap of the long haul over the railroads. (534.)

Mr. Holt, secretary of the tariff reform committee of the Reform Club of New York City, says that our protective tariff system has undoubtedly caused the transfer of some industries to this country, but we should have made greater progress and should have been more at peace with the rest of the world if we had done without tariffs. We have got the wrong industries through our tariff system. Without the protective tariff we should have had the natural industries that the ordinary course of evolution would have given us. The establishment of these has been prevented by the increasing of the cost of materials through the imposition of a tariff. Without duties on sugar, on tin plate, and on glassware we should have supplied the world with canned goods and should have employed probably three times as many people as are employed by the tin plate and sugar industries which protection has given us.

Some of the leading glass manufacturers do not hesitate to say that if there had never been a tariff on glass our glass industry would now be twice as large as it is, and would be employing twice as many men and using twice as much coal, gas, lumber, etc. Without a duty on tin, or at least without an increased duty, the tin-plate industry would have been established in this country within a few years anyhow. It is true that previous to 1890 we had made several attempts to establish the tin-plate industry in this country, but we failed because of the tariff combinations in black plates. The manufacturers held black plates at a price which was prohibitive to the tin-plate industry.

Because of the tariff, steel rails are sold at comparatively higher prices in this country, and it costs therefore relatively more to build railroads, and we have to pay for this additional cost in the freights on goods and in passenger fares. It is true that before the tariff was put on steel rails we were paying $100 a ton for them, and that since the imposition of the tariff great industries have been built up in the United States; it is probably true also that the cost of freights has gone down. Nevertheless, the tariff on steel rails may have prevented freights from going down as far as they otherwise would have gone.

It is not of any importance whether $10 goes out of this country or $10 comes into it at any particular time. Money can not go out unless something comes in for it. A man does not pay out $10 unless he thinks that he is getting at least $10 value for the $10 that he parts with. (565, 571, 572, 578, 582.)

This country has acquired its great wealth by utilizing its natural resources. It would have been developed to a far greater extent without our protective system. There will always be money where there is wealth, and we have here the natural resources for producing great wealth. It is because we are such a great nation within ourselves that we have been able to stand the burden of tariff duties. The prosperity of the country depends directly upon its ability to produce more cheaply than other countries can produce. (579, 583.)

Mr. Gunton says that the steel and iron industry is due to the protective tariff on iron and steel. Without a tariff on steel rails we should not be able to make a steel rail now. At the time when we began to protect our iron industry England could beat us in about everything in the line of iron and steel. Steel rails, for instance, could be produced in England for $65.70 a ton, while the cost of production in this country was $120.12 a ton When protection was applied so as to permit the American iron manufacturers to control the American market, capital began to be invested in the steel and iron industry, because of the assurance that foreign producers could not sell below a certain point. As a result of American competition and invention,

and the development of large concerns, the price of steel rails has continually declined. The chief reason for this is found in the development of machinery which has taken place in this country. Americans have surpassed foreign manufacturers in the application of capital and invention and ingenuity during this protective era when they have had an exclusive guaranty of the American market. If it had not been for the protection given to iron and steel, we should probably not have had half our railroads; we could not have developed our iron industry, many of our factories would not have been in existence, and we should have been practically an agricultural nation. Our freight rates would have been several times what they are now, simply because of the lack of work for the railroads and because of the expense of running them with a large fixed cost. (620, 621.)

Mr. ATKINSON says that it is possible that the putting of a duty on tin plate by the McKinley law hastened the transfer of the tin-plate industry from Cornwall to this country, but it would have come in the nature of things, and the development of the industry in this country was going on at the time the McKinley tariff was enacted. The real work has been that machinery has been adapted in this country to the dipping of the tin plate, which in Wales was a manual occupation. The transfer of the industry to this country has come from our having attained supremacy in the manufacture of thin sheets of steel and from inventions which have enabled the whole coating to be done without manual work. When the tin-plate mills first opened in this country they had to import their black sheets, and the industry would have been promoted at that time by the free import of black sheets. The steel-plate industry which had begun to be developed in this country would have gone on in any case. It would have developed, as all other steel works have, by the improvement of American methods and the ability of American workmen. The tin-plate industry is one of the crucial cases where during the existence of a high protective tariff a special art has made a great advance. The invention of the improved machinery used in the industry was going on at the time of the enactment of the McKinley tariff. Inventors were at work in both the United States and England. In putting a tariff on tin plate the whole community is taxed in order to support the 12,000 persons employed in that industry. (535, 536, 537, 539.)

Mr. LAMB, president of the New England Free Trade League, says that the increase in the amount of tin plate produced in the United States from practically nothing in 1889 to about 750,000,000 pounds in 1900 was due to the fact that we were not allowed to buy tin plate elsewhere. It is hard to say what would have happened if there had been no protective tariff on tin plate; but it is probable that, so far as supplying the western part of this country is concerned, the industry would have been established without the change in the tariff which was made in 1890. If the duty on black sheets were repealed there is reasonable assurance that the manufacturers of tin plate, outside of the American Tin Plate Company, would get them cheaper than they do now, and it is probable that the eastern part of the country would import them. It is doubtful, however, if it would be possible to freight them very far into the country in competition with American sheet steel. (591, 592, 593.)

Mr. TAYLER, a member of Congress from Ohio, says that the inevitable result of the removal of the tariff on tin plate would be that the United States Steel Corporation would be the only concern in this country that would make a pound of tin plate. A very large independent tin-plate plant has been started in Mr. Tayler's district. If the duty were taken off from tin plate that concern could not possibly live. The United States Steel Corporation would go on and manufacture tin plate if the duty were removed. The first thing it would do would be to reduce wages, but the probabilities are that it would not reduce wages to the point to which an independent plant would have to reduce them. If the reduction of the tariff or the removal of the tariff would not reduce the rewards of labor and would not prevent the establishment of independent tin-plate plants, then Mr. Tayler would think that the abolition of the tariff would be a most excellent method of dealing with the trust question. (603, 604.)

Mr. ATKINSON does not think the tariff on hides has benefited the farmers or that they have ever got an additional cent because of it; and that it has retarded the export of leather manufactures. Referring to the statement made that the abolition of the duty on hides was followed immediately by a rise in the price of imported hides, Mr. Atkinson says that the increase in price increased the purchasing power of the man who sold the hides and that he could buy more goods of us in exchange. Unfortunately this was not the case, so far as South America was concerned. It is impossible to make the round voyage to South America, because we shut out so large a part of the wool and the copper ore of South America, and the materials produced there, which would make up the round trip. (535, 536.)

Mr. ELLIOTT, a paint manufacturer of Philadelphia, says that the paint manufacture in this country is in many respects in advance of that of Europe. This has been caused by the greater demand for paint. The demand has been greater here because houses are largely of wood and because the people have had the money to pay for paint. Mr. Elliott, while a believer in a protective tariff on general principles, does not think the tariff has had much to do with building up the paint trade. The Wilson bill did not affect his business, and he would not care if free trade in paints were introduced, so far as any benefit to his trade is concerned. The tariff on paints in general has always been very moderate, rarely above 25 per cent. The duties on linseed oil and white lead, however, are excessively high, and result in unnecessarily high prices to the consumers and in hampering foreign trade. (210, 211, 213.)

Mr. FLINT says that rubber manufacturers have given practically no consideration to tariff on rubber, except in the case of rubber clothing, which is less than one-half per cent of the industry. Mr. Flint can not say whether the tariff is of any advantage to the rubber combination or not. But in the manufacture of rubber goods, and particularly the manufacture of rubber boots and shoes, the great percentage of labor is hand labor. In an industry where that is the case the removal of the tariff would be likely to lead to the transfer of the industry to Europe, so that the benefit of the cheap European wages could be taken advantage of. If the tariff on rubber were removed Americans would be very likely to establish factories abroad and then bring their products into this country. With the advantage of cheap foreign labor they would be able to produce goods more cheaply than they could produce them in the United States. The most important rubber factory in Great Britain, for instance, was established by an American, who took the machinery over there.

The question of the tariff is of very little importance as relating to the starch industry. In the manufacture of starch the labor is largely machine labor, and in that labor the American is more efficient than the European, so that the American manufacturer gets more for his money than the European manufacturer.

In cases where trade secrets possessed by Americans are of sufficient importance to counterbalance the difference between American and European wages the American manufacturer would not necessarily be forced to go abroad by the removal of the tariff. Such cases, however, would be limited in number. In the rubber trade that situation would not exist in reference to the trade in general, though it would apply in some specific cases. In view of the growing value of our export trade we should tend to freer trade. The only danger to international trade at present is the danger of a war of tariffs. Great caution, however, should be exercised in making any changes. Tariff tinkering creates unrest and uncertainty. (82, 83, 85–87.)

C. Rebates on exported goods.—Mr. ATKINSON says that a rebate is apt to be a snare and a delusion and exceedingly difficult to collect, being sometimes so small that it does not pay the cost to try and keep the figures separate. This has not been the case so far as the Standard Oil Company is concerned. They do business on such a large scale that they reap a benefit from the rebate system. The rebate is a benefit where the imported material which enters into the exported product can be easily identified. (536.)

Mr. HOLT says that the United States allows a rebate of 99 per cent of the duty paid on imported tin plate when the plate is reexported, but the cost of collecting the rebate is about 25 per cent. There is a firm in New York City that gets 15 per cent for doing this whole business for different concerns, and that commission comes out of the drawback. Tin-plate manufacturers are to-day selling tin plate at $1 a box less to exporters of tinned goods than to ordinary customers, and the small manufacturers prefer to pay 50 cents more for American plate than they would have to pay for foreign plate rather than take the trouble of collecting the drawback. (571.)

Mr. LAMB says that the rebates paid on reexported goods, while of assistance to an industry with an export trade already established on a large scale, is not possible in the case of a small business or, if possible, is extremely difficult to obtain. There is difficulty in demonstrating that a given material has been used. It involves considerable expense and a publicity that many manufacturers do not desire. (586.)

D. Relation of tariff to trusts. (See also *Proposed tariff changes*, p. CLVI.)—Mr. ATKINSON says that the protective tariff gives the opportunity for the organization of trusts and combinations and monopolies. To some extent it allows the trust more of a monopoly than it would have without the tariff. It is rather extravagant to say that the tariff is the mother of trusts. So far as the tariff prevents the importation of foreign articles it tends to help the trusts, but the trust would exist either in a

free trade or a protective country. Mr. Atkinson would not remove the tariff from products simply because there are trusts engaged in the manufacture of those products. There are plenty of trusts in England. They are not peculiar to any country. (533, 542, 543.)

Mr. SPALDING says that trusts exist in foreign countries; that there is a general tendency in monarchical governments to concentrate and combine everything. (2.)

Mr. HOLT, secretary of the tariff reform committee of the Reform Club of New York, says that the only other countries which have trusts comparable to ours are the protected countries of Continental Europe, notably Germany and Austria. In free-trade England the trusts are few in number, and they lack the many evil propensities of tariff trusts. There are numerous syndicates and joint stock companies in that country, which are sometimes called trusts. They are, however, with few exceptions, comparatively harmless. They can not control prices unless they can produce at a lower cost than any and all other competitors, because they have free trade in their home market and must meet the lowest prices at which goods manufactured anywhere on earth can be sold. They can exist only so long as they produce cheaply and sell at low prices. Because they are not coddled by their Government they do not support extensive lobbies, do not make great campaign contributions, and do not corrupt politics, as do the trusts in this country.

Trusts not protected by the tariff can not prevent competition for any considerable time, and soon come to grief if they attempt to imitate the protected trusts and to put up prices unduly. (552, 553, 583.)

It is self-evident, says Mr. Holt, to those who think at all clearly on the subject that high tariff duties, by shutting out foreign goods, make it easier for our manufacturers in any particular line to combine to control prices, and that the object lessons during the last few years have been so numerous, so clearly seen, and so generally commented upon that the fact that the tariff aids trusts is no longer open to discussion among intelligent men. Tariff duties practically alienate us from the rest of the world, so far as many industries are concerned, and make it easier for our producers in any one line to combine. Except for the protective tariff there would not have been that great accumulation of wealth in the hands of a few, which makes easy the formation of great industrial and transportation combinations. In many industries internal competition has become so great that the tariff can not be utilized unless it is accompanied by a monopoly of natural resources. The tariff therefore is not only responsible for the earlier and smaller trusts, but it has hastened and been instrumental in the formation of the gigantic trusts of to-day. The tariff is not the mother of all trusts, but it is the mother of many trusts and the foster mother of nearly all others. It is the most important and the most conspicuous of the special privileges which make monopoly possible, and monopoly is the mother of all trusts. In the case of the borax industry American warfare from behind a protective tariff wall made the business unprofitable in unprotected countries, depreciating the value of foreign plants and mines, and made it easy for our Government-supported trust to buy up its foreign competitors and to form a world-wide trust. Our borax tariff is therefore the real mother of this great world trust. (552, 553, 569.)

Mr. Holt says the tariff was most certainly responsible for all of the profit made by the American Tin Plate Company in 1900. The tariff is probably responsible for much of the profit made by the National Steel Company and by several of the companies which produce the raw material for the tin-plate industry. It is probable that at least $5,000,000 of the $7,000,000 profit which the American Steel and Wire Company claims to have made in 1900 is to be credited to tariff duties. It is entirely reasonable to suppose that one-half of the $108,000,000 made by the constituent companies of the United States Steel Company in 1900 was tariff profits, absolutely unnecessary to protect any of the industries. (559, 562.)

Mr. Holt says that he does not claim that the abolition of tariff duties to-day would kill all or even most of the gigantic trusts. The first step in the solution of the trust problem, however, is to remove the protective tariff. When the field has been cleared of tariff trusts it can be determined what other kinds of trusts there are to deal with and how the special privileges which make them dangerous and harmful instead of beneficent and useful can be taken away from them. (553, 584.)

Mr. LAMB, president of the New England Free Trade League, says that the class of trusts which he calls tariff trusts are those which are protected by the protective tax in the tariff. The evils in other trusts are almost always limited. The evils in the tariff trusts are generally limited only by the rate of the protective duty. The trust, in general, to succeed must render a service better than anyone else can render it. The tariff trusts are enabled to prevent others from rendering the service which they render whether others can do it better or not. There are many trusts

in this country which are not directly protected by the tariff, yet which are the creatures of the tariff in that they have been formed for self-protection against the tariff trusts. In that sense organizations of middlemen are trusts. (584, 585, 587.)

Mr. Spalding says that if the protective tariff were abolished, that would regulate trusts, both in home and foreign markets, and would break up monopolies. The removal of the tariff would not necessarily affect the Standard Oil Company. It would affect the anthracite coal trust, because, although there is no tariff on anthracite coal, there is a tariff on other coals, and the use of other coals is bound to have its effect on the anthracite-coal trade. The abolition of the tariff would not affect the ice trust or other trusts which produce articles on which there is now no tariff, unless it should affect the machinery used by those trusts in the manufacture of their products. (3.)

Mr. Waterbury thinks that the removal of the tariff on the product of a combination might have a serious effect upon the combination, but in hurting the combination it would hurt the country. Combinations that do not charge too much are an advantage to the country, and those that do charge too much will fail, and competition will ensue. (136.)

Mr. Tayler, member of Congress from Ohio, says that trusts have only an incidental relation to the tariff. The fact that there are trusts in a protective tariff country does not prove that the trusts are the outgrowth of protection. So far as the tin-plate industry is concerned, the industry would not have been established without the protective tariff, so in that way it may be said that the tariff is responsible for the trust. In the pottery business there would be no industry at all but for the tariff, and there is no trust in the pottery industry. The Babcock bill, which proposes to remedy the evils of trusts by removing the tariff from trust products, is objectionable because such legislation would destroy the possibility of the manufacturing by independent plants of the goods which are now protected under the tariff, and would simply put strength into the large combinations. The passage of the Babcock bill would be to the advantage of the United States Steel Corporation more than to that of any other concern or person. (601, 607, 608.)

Mr. Flint says that the rubber combination was in no way due to the tariff. Any legislation that should discriminate against trusts in general would be most disastrous to labor interests, and would create an industrial panic. The lowering of the tariff would injure the manufacturers who are outside of the combination more than it would injure the combinations, because the former would have less financial ability to deal with the situation. (83, 87.)

Mr. Gunton says that the tariff has no essential relation to trusts as such. These large concerns have come into existence by virtue of their superior development. The tariff, instead of helping to give them a monopoly, is the one thing that prevents them from having a monopoly, because it sustains their smaller competitors, who could most easily be driven out by foreign competition. If the tariff were removed from the whole iron and steel industry, it would punish most those who have now the smallest margins of profit. (633.)

E. Effect of tariff on prices.—1. *Generally.*—Mr. Lamb says that if the tariff were removed from the products manufactured by the trusts, the trusts would cease to export their products at a price lower than that which they charge to the American consumer, for the reason that otherwise those products would be reimported. While it may be true that it is the practice in all exporting companies to charge lower prices for export than in the domestic market, it can not be the practice to any great extent in a country which has no protective tariff. It is not an established fact that the trusts sell abroad now at a loss, and it is probable that they would continue to export if the tariff were removed. In some cases the whole surplus would be consumed in this country at a lower price. (594, 595.)

Mr. Lamb adds that the people of this country are obliged to pay higher prices than they ought to pay, not only for those goods which are produced by the trusts, which are protected by the tariff, but also for the products of other protected industries. What the whole world is striving for under the competitive system is cheapness. Our protective tariff has interfered with the bringing about of cheap production. (595.)

Mr. Gunton says that whether or not the tariff is added to the price of an imported product is determined by purely economic law. In any competing group of products of the same kind the prices in the open market will be very near to the cost of the production of those products in the group which are produced at the greatest disadvantage. When all the product produced can be sold, the manufacturers who produce at the greatest advantage are not going to put the prices down. They are going

to get as big a profit as they can. It is the man who produces at the greatest disadvantage, the one to whom the cost of production per unit of product is greatest, who practically fixes the price. When there is a down move in trade and not all of the product can be sold, the price will go down. Upon that principle the prices of products are fixed in the international market. In the international market the dearest product is the American product, and the cheapest product is the foreign product. If a tariff is levied on the foreign product it will depend entirely on where that tariff is put and how big it is whether it will be added to the price that is put on the American product. The duty is added to the price only when it is laid upon the dearest portion of the product.

From 1881 to 1891, and afterwards, the duty on washed wool was about 20 cents a pound. The actual average increase of the price of wool during that period was only 2.4 cents. The duty on wool is a protective duty, and therefore the foreigner pays more than half of it. The Wilson law took nearly 15 cents a ton off of Nova Scotia coal. The price of coal was not affected in the least, because American coal was the dearest product and the Nova Scotia people could get what the American producers could get. Therefore when the 15 cents a ton was taken off the Nova Scotia coal, the Nova Scotia producers got 15 cents more profit. Bermuda potatoes afford a similar illustration. The duty on sugar, on the other hand, is a revenue duty, and when a duty of 1 cent a pound was placed on raw sugar the price rose a cent a pound. The reason for this is that the great bulk of sugar is raised abroad.

The cost of any imported article here, when we are not producing it in this country, is very much higher than its cost to the foreign consumer. When English steel rails were selling in England at $65 a ton, American buyers could not buy them at $65, nor at $65 plus the cost of transportation. The English manufacturer charged American purchasers nearly double what was charged to English buyers, simply because no rails were manufactured in this country. When a new industry is established in this country through the tariff, usually there is a little higher price paid for the products than was paid before, but in the long run the price is lowered through the establishment of the industry here, because of the development which takes place. (617, 618, 619, 621.)

Mr. Holt states that in computing the additional amounts which consumers have paid for products because of the protection given to various industries by the tariff, he has taken the difference between export and domestic prices. The export prices may fairly be considered as being profit-making prices, because they are not mere deliveries of surplus products. In the case of steel rails and iron billets, orders have been taken for future deliveries and it may be considered, therefore, that the goods have been sold at a profit. (581.)

2. *Borax*.—Mr. Holt says that previous to 1883 there was no duty on borate of lime and crude borax. The tariff of 1883 made the duty on refined borax and pure boracic acid 5 cents a pound, on commercial boracic acid 4 cents, and on borate of lime and crude borax 3 cents. The tariff of 1890 made the duty on all boracic acid 5 cents. The tariff of 1894 reduced the duty on all borax to 1½ cents, and the tariff of 1897 made the duty on borax and boracic acid 5 cents. Four days after the McKinley tariff became effective the trust raised the price of borax, which had been 8½ or 8¾ cents, to 9¼ or 9¾ cents per pound. According to the Oil, Paint, and Drug Reporter of December 31, 1894, the net decline in price, which up to that time had taken place since the enactment of the Wilson tariff law, was 2¾ cents per pound on crystals and powdered, and 2½ cents per pound on refined in bags. According to the same paper, in February, 1895, the prices for borax were lower than those for which borax could be imported or produced in this country except under the most favorable conditions. In January, 1898, after the Dingley law had gone into effect, the Oil, Paint, and Drug Reporter said: "The advance in the rate of duty on borax in the act of 1897 from 2 cents per pound to 5 cents has caused a rise in the price here from 5¼ cents in carloads, which was the market quotation when the tariff became operative, to 6¾ cents. * * * It is evidently the determination of the refiners to raise the price by slow and easy stages until they shall reap the full increase of benefit which the new act gives them."

Mr. Holt presents a table giving the wholesale prices per pound of refined borax in New York at different dates during the years 1891 to 1899. (568, 569.)

3. *Steel rails*.—Mr. Holt says that we consumed about 2,000,000 tons of steel rails in 1900. It is probable that the average export price of rails was considerably more than $5 per ton lower than the home market price. Protection of steel rails, therefore, costs us about $10,000,000 per year. We consumed about 500,000 tons of structural steel beams in 1900. It is safe to say that Americans paid $5,000,000 more for the structural steel beams used in 1900 than they would have paid if there had been no tariff, and it is entirely reasonable to suppose that one-half of the $108,000,000

profit made by the constituent companies of the United States Steel Corporation in 1900 was due to the protection afforded those industries by the tariff. (562.)

Mr. GUNTON says that before we began to manufacture steel rails in this country and relied upon England for our supply, it cost Americans $120.12 in gold for a ton of steel rails, such as were sold in England for $65.70. The duty was at that time about $29.50 per ton, so that it is plain that when we bought steel rails almost entirely from England we paid $25 a ton more than the English price with the duty added. After sufficient protection was afforded to warrant the investment of American capital in the steel-rail industry the cost of production was steadily lowered, both here and abroad. Under protection we have in this country reduced the price of steel rails since 1867 $92 a ton, while in England, under free trade, the price has been reduced only $36.48 a ton.

Mr. Gunton submits a table, showing the American and foreign prices of steel rails during various years from 1867 to 1901, together with the amount of the duty per ton. (625.)

4. *Barbed wire and wire nails.*—Mr. HOLT says that perhaps 1,800,000 tons of barbed wire were sold in this country in 1899 at an advance over the export price of at least the full amount of the duty, which is four-tenths of a cent per pound. The tariff on barbed wire therefore costs us about $1,440,000 per year. On 400,000 net tons of drawn wire in various forms which were sold to Americans, the duty of from 1¼ to 2 cents per pound was probably utilized, and therefore the tariff on these products cost the consumer $3,000,000. About 700,000,000 pounds of wire nails were sold in 1899 in our home market. The average difference between export and domestic prices was probably considerably over one-half cent per pound. Consequently we paid $3,500,000 more for our wire nails in 1899 than we should have paid had there been no duty. (562.)

5. *Tin plate.*—Mr. Holt also states that the price of tin plate is lower to-day than it was in 1890, but that it is not as low as it should be with the development in the industry since that time. The whole steel industry has been revolutionized in the last 10 years, and the whole method of manufacturing tin plate has changed, machinery now being used where hands were used before the industry was established in this country. At the present time there is a difference between the in-bond price and the New York price of American plate of 1.4 cents per pound, the duty being 1.5 cents per pound. The difference between the in-bond price of foreign plates and the New York price of American plates shows how much more we are paying for plates than we should be paying if there were no duty. Practically all countries on earth, except the United States, are getting their tin plate about 1.5 cents a pound lower than we are and have been. Before the industry was established in this country, we paid the foreign producers more than we are paying now for tin plates; but that was before the industry had developed as it has now, and to-day we should be paying the price they charge every foreign consumer. The high tariff has given the American manufacturers control of the American market; it has not lessened the demand for Welsh tin plates, but it has lessened the demand for them at the price which we should have to pay. The production of tin plate in Wales has been diminished because we do not draw upon it for our supplies, and in the course of time the factories will decrease in size and number, and the product will not be turned out so cheaply there. If the United States had continued to be a customer of Wales we should probably be buying tin plate at a lower price than Welsh tin plates are now selling, because Wales would be producing 2 tons where it is now producing 1, and could afford to sell tin plate cheaper. There has not been a benefit to the United States, so far as prices are concerned, by the establishment of the tin-plate industry here. The cheapened production all over the world is due to invention, and has benefited other countries more than it has benefited us, because foreign countries buy tin plate about 1½ cents a pound lower than it can be bought here. The prices of American plates in the American market are made higher than the prices of in-bond foreign plate by the tariff. It is true that the cost of the materials entering into tin plate has increased, but the increased cost of materials operates in foreign countries as well as here, and there has not been the same relative increase of price in foreign markets as in this country. (570–575.)

The extra amount paid by wholesale dealers and metal workers, and ultimately by the American people, during the years from 1891 to 1900, because of the protection given to tin plate by the tariff, amounts, according to Mr. Holt, to over $100,000,000. This estimate is based on the difference between the import prices, without duty, of tin plate, and the actual selling prices of tin plate in this country during those years. Mr. Holt submits a table showing the consumption and the prices of tin plate, with the differences between the prices of tin plate in bond and in the New York market during the years from 1891 to 1900. (557, 573.)

Mr. LAMB submits a table showing the prices of tin plate in bond in the New York market during the years from 1889 to 1901. (591.)

Mr. GUNTON says that in order properly to understand the effect of the tariff on the prices of tin plate it is necessary to compare the difference between the price of tin in England and in America for a period of 10 years or so before the tariff with the difference between the price in England and America since there has been a tariff on tin plate. During the 10 years preceding 1890 the average difference between the foreign and the domestic price of tin plate was $2.16 a box. The average difference between the American and foreign price since 1890, and since, through protection, tin plate has been produced in this country, has been $1.76 a box. In other words, the difference in price was about 23 per cent greater under free trade than it was under protection. If we adopt Mr. Holt's reasoning and regard the $104,612,946 difference in the foreign and domestic price from 1891 to 1900 as the price paid for protection since 1890; and apply the same reasoning to the difference in price from 1880 to 1890, we find that the price paid for not having protection was during those 10 years over $130,000,000. Since we have made our own tin we have reduced the price by $1.40 a box, while England has increased the price by 90 cents a box. Mr. Gunton submits tables showing the American and foreign prices of tin plate per box for the years from 1880 to 1901. (629, 630.)

6. *Paints and chemicals.*—Mr. ELLIOTT, a paint manufacturer, of Philadelphia, says that white lead and linseed oil are usually about a third higher in the United States than in Europe. Pig lead, from which the white lead of commerce is made, is subject to a duty of 2⅛ cents. The price in England at present is 3⅛ to 3½ cents a pound, while the price of domestic lead in New York is 4⅝ cents. Flaxseed, from which linseed oil is made, is subject to a duty of 25 cents a bushel of 56 pounds, and the oil to a duty of 20 cents a gallon. The difference which usually exists between the European prices and the American prices of oil has at present nearly disappeared, because of the failure of the seed crops in India and other countries. The price of linseed oil in England at present is about 51½ cents per gallon, and the price here is nearly the same. Usually it is from 10 to 20 cents higher here than abroad. (209, 210.)

Mr. ATKINSON says that aniline dyes and certain other chemical products are subject to a higher price in this country than in Germany and England, because of our protective tariff. He does not know what proportion the imports of these products bear to the domestic output, but he says that the price of the whole is maintained in some measure above the relative price on account of the tariff. (533.)

F. Relation of Tariff to Wages.—1. *Generally.*—Mr. ATKINSON says that the high rates of wages in this country are generated by the conditions. There are hundreds of manufacturers who will say that the readjustment of wages which would follow an equal chance with their competitors in foreign countries would be toward the raising and not the lowering of wages. If, however, a revision of the tariff would cause a reduction in wages, Mr. Atkinson would still favor a revision. (532.)

Mr. LAMB says that the restriction of the American market to American products may, in a few cases, have caused a rise in wages, but it has not done so generally. The great drops in wages which occurred in the years 1894 to 1897 came before American manufacturers were enabled to meet foreign competition. These drops were not occasioned by other causes than those that led to a reduction of wages in many lines not at all affected by changes in the tariff. There were a few cases of increase of wages under the McKinley tariff, and there have been increases of wages since 1897 under the Dingley law; but these increases have been caused by the revival of commercial activity. It is very difficult to make comparison between the wages paid in this country and the wages paid abroad. The figures commonly cited in comparison are wages by the day or month; whereas the cost of labor depends upon the amount that the laborer produces in a day or in a month. One of the prime causes for the high rate of wages in this country is the opportunity which exists for men who can not be employed in the manufacturing industries to seek employment on the land. Then, again, there is more produced in this country and more to divide, and labor gets a share. (590, 591, 594, 597.)

Mr. GUNTON says that wages are not affected directly by the tariff. They are affected by social conditions and by the efforts of the laborers themselves; but the existence of industries and the development of social conditions, which are due to the protective tariff system, are influences which stimulate wages. (619.)

2. *Proportion of workers protected by the tariff.*—Mr. LAMB says that, as a general thing, the proportion of American labor which has been protected by the tariff has varied from 5 to 7 per cent of the whole. This percentage represents the proportion of workers who would be directly exposed to injurious competition from imported foreign products if protective duties were removed. The man who is

above and beyond competition is not counted in this percentage, even though, because of the tariff, he has been enabled to raise his price. (596, 597.)

Mr. ATKINSON says that there are not 5 per cent of the people of this country who can be protected by a duty on foreign imports. It is doubtful whether there are to-day 1,000,000 persons in the United States occupied in the arts, mental, manual, and mechanical, who could under any conditions be subjected to foreign competition. Of course there can be no foreign competition with those who are occupied in professional or personal service, or in trade and transportation. In agriculture about the only products subject to foreign competition (except in our dealings with Canada, to whose people we sell nearly double the products of agriculture that we buy) are sugar, wool, hemp, flax, tobacco, and a few fruits. Not over 2 or 3 per cent of the products of the farmers of this country can be subjected to foreign competition, while from 10 to 20 per cent, varying in different years, depend upon the export of our surplus for their entire income. Very few of the useful and necessary textile fabrics, except linens, must be imported even now, and that proportion can be very much lessened if wool, dyestuffs, and the like can be supplied to our textile manufacturers free of tariff taxation.

The number of persons whose whole income rests upon the export of our surplus products, especially in agriculture, will be found to be three times the number of those whose work would require readjustment if there were a revolutionary change in our revenue system. No change in the tariff can affect any considerable number of persons in the so-called protective industries, because the whole number is small, while the expansion of the foreign market will create a greater demand for all of our principal products, coal included. (523–525.)

Mr. Atkinson also states that from the census of 1880, and from other sources, it appears that of common laborers about 47½ per cent were occupied in agriculture, 20 per cent in professional and personal services, 10½ per cent in trade and transportation, and 22 per cent in manufactures, mechanical arts, and in mining. In 1890 the proportion in agriculture had slightly diminished, and the proportion in trade and transportation had slightly increased. The tendency to change these proportions, however, is slight. In 1880 there were nearly 9,000 people employed in the pottery industry in the United States, and more than one-half of them were absolutely free from foreign competition. There has been a slight increase in the number employed since that time.

In 1880 there were not 100,000 people employed in mining the coal for the iron furnaces, in mining the ores, and in converting the ores into pig iron. It is doubtful if there are more than 200,000 or 250,000 persons engaged in these occupations now.

The largest wool clip of any one year has been about 300,000,000 pounds, and the total value of the wool clip has rarely, if ever, exceeded $60,000,000. Estimating the average product of the average farm to be worth $500 a year, the product of wool would represent the work of only 120,000 persons. In Ohio in 1880 the wool clip constituted less than 4 per cent of the value of the total product of agriculture, and it is doubtful if it now exceeds 2 per cent. The value of the hen's eggs of Ohio is much greater than the value of the wool clip. The profit of the average farm can never rest on wool. (521–524, 530.)

Mr. GUNTON says that the benefits of the tariff are not limited to those who work in the protected interests. The existence of the iron industry, for instance, in this country has given rise to hundreds of other industries which have no direct relation to the tariff. It has given us our railroads, it has given us our machinery, and has led to the establishment of factories. These in turn have given us our cities and have created our commerce. (619.)

Mr. TAYLER says that it is labor that is chiefly interested in and chiefly protected by the tariff. All labor is affected by the tariff. It affects every laborer whose handiwork is in the finished product, whether he makes the pick that digs the coal, whether he digs the coal or transports it, or whether he is engaged in making the final product. It is true that there is a very powerful combination of labor which has succeeded in maintaining a fairly high level of wages, but no matter how strong that organization is, it could not maintain wages if there were no employment. Labor has never yet been able to maintain wages in hard times. It does not matter much that the laborers get their share of the price of the finished article if that share is not enough for them to live on and to give them a surplus. If the price of the finished article is low, the reward of the labor is low. In the last analysis capital can be idle and labor can not. There ought to be no distinction between the application of the tariff to the industrial combination and to the individual manufacturer in the same industry. The principle of protection is always to be applied for the benefit of labor, and where labor needs protection to maintain wages it does not matter who employs that labor. (601, 602, 603.)

The establishment of industries in this country by our protective tariff has caused more money to be paid out in wages and has therefore increased the consuming power of the American people. That enormously increased power of consumption is sufficient to recoup the farmer for whatever supposedly increased price he may have to pay for manufactured products. The vast majority of the farmers in Mr. Tayler's district, a district which has been made prosperous by the iron and steel industry, are undoubtedly in favor of a moderate protective tariff, and would not consent for a moment to the proposition that we ought not to have had, and ought not now to have, where necessary, a duty on iron and steel products. (602.)

3. *Relation of wages to cost of production.*—Mr. LAMB, president of the New England Free Trade League, says that in some industries, beyond question, the American laborer produces so much more than the foreign laborer that the actual labor cost of the article is lower in this country than abroad. The American laborer works better because he feels that this is a free country and that it is possible for him to rise. In many lines our market has always been open to the competition of the world, and yet other countries have not been able to touch us. Furthermore, in the case of some industries, we are able to send our products abroad. This is true in respect to some commodities into which labor enters to a great extent. It has never been necessary to encourage this development of skill on the part of American laborers. It has existed from the beginning and the attempt to repress it was one of the causes that led to the War of the Revolution. (594, 595.)

Mr. FLINT says that in general, American labor is more efficient than European labor, though this applies especially to industries where the American workman is bossing the machine. In industries where the greater part of the work has to be done by hand, a manufacturer can get more labor for his money in Europe than in the United States. (83.)

Mr. ATKINSON says that high wages in this country are not the antecedent, but rather the resultant, of low cost of production, due to the vast possessions of fertile lands, of mines, and of forests. That the rate of wages governs the cost of labor in any art to which modern science and invention have been or can be applied is a fallacy. Low wages and low costs are the complement of each other only in those branches of industry which remain handicrafts; that is, which are conducted by hand work or manual labor. The highest rates of wages are earned at those points in each country where the materials used in each art are most abundant, or where they can be procured at the lowest cost, whether of domestic or foreign origin; also where the conditions of life are most conducive to the health and energy of the workmen; where the functions of government are most justly and honestly conducted, and the taxes in ratio to production the lowest; where common education has been established; and, in respect to competing nations, where the least part of the product is diverted from constructive service to the destructive purpose of war or of preparation of war.

If the rate of wages governed the cost of labor in a product, not a dollar's worth of our exports of cotton, corn, cordage, wheat, flour, machinery, etc., could leave our shores. The earnings of the Egyptian and India laborers are not one-fourth the earnings of laborers in our cotton fields; hardly one-tenth, including Russia, of those of the laborers in our wheat fields; yet our cotton and our wheat constitute the chief supply of the world. We have proved, especially in iron and metallurgy, that the highest rates of wages in the world are paid here, and yet we beat the world at lower cost. (518, 520, 531.)

Mr. GUNTON says that high wages tend to create a low unit cost of production, but it is not true that high wages are always simultaneously accompanied by low cost of production. Where the methods of production and the high wages are both developed together, the high wages will always, in any considerable length of time, result in a lower cost of production, because the high wages, which are the basis of large consumption and growing intelligence, are, for the most part, the real cause of the superior methods which give the great economy in the cost of production. Where the best machinery is transplanted into a community in which it has not been evolved, and where there are low wages, the low cost of production is the result of the low wages. (615, 616.)

Mr. ATKINSON says that there is no possible competition from China or Japan, or any of those countries, in the arts to which modern mechanism has been applied successfully in this country. In the cotton mills of Bombay they employ 3 to 5 hands where we employ 1. In a factory in Brooklyn which manufactures gunny cloth, the man at the loom was paid $1.50 per day, as against 12½ cents per day which was paid to the weavers in Calcutta; yet the cost of weaving a yard of gunny cloth in Calcutta was 2½ cents, while the cost of weaving a yard on the loom in Brooklyn was 1½ cents. In the manufacture of boots and shoes, other countries have adopted

our machinery, but they do not get as efficient service. An illustration of this is afforded by the comparative amount of revenue which has been returned from machines for the sewing of the soles of shoes to the uppers, which have been leased on even terms in the United States and in Great Britain, France, and Germany. The high nutrition of the workmen of this country enables them to do a larger amount of work. (532, 533, 538.)

4. *Iron and steel tariff.*—Mr. HOLT says that the removal of the tariff from the manufactures of steel and iron would increase wages, because it would increase the consumption of goods and would therefore increase the amount manufactured. The total number of wage-earners employed is what affects wages, and the increase of product would increase wages. It is true that iron and steel workers are paid on a sliding scale, but that scale is only a temporary arrangement and can be changed. The establishment of the scale is due to an attempt on the part of the laborers to participate in the tariff profits of the mill owners. It is the supply of labor and the demand for it that makes wages, and any artificial arrangement that the laborers have with their employers would be soon done away with if the tariff were removed. A lower day rate of wages would not necessarily mean a lower actual wage. The day rate of wages might go down and the actual rate of wages might go up because of the cheaper cost of living. If the tariff were abolished, the manufacturers in this country would have to supply us with goods at the same price at which they now supply foreigners. Therefore it would cost less to live in this country, and, though money wages might go down slightly, the reduced cost of living would more than compensate laborers for that slight reduction. (577, 578.)

The abolition of the duty on tin plate would not throw the men employed in the tin-plate mills out of work. The tin-plate industry is beyond destruction by the removal of tariff duties. If the tariff were removed from tin plate wages would go up, because there would be more labor employed. Our power of consumption is determined by the consuming ability of seventy or eighty millions of people not ingaged in the production of tin plate, and the rate of wages is determined by the relation between supply and demand. (575, 582.)

G. Social effects of the tariff.—Mr. LAMB says that any industrial system which, like the tariff system, is based upon privilege and taxes the whole country for the benefit of the few is unsound. Much of the discontent in the country to-day se the outgrowth of this injustice. The educating of people to look to the Government for legislation in their behalf has bad results. (589.)

Mr. ATKINSON thinks that the development of commercial interests will tend to promote perpetual peace. (526.)

Mr. TAYLER says that our protective tariff system is based upon the idea that our American civilization is upon a higher plane than that of any other country, and that in order to maintain that high plane of living it is necessary that some kind of equalization be made wherever the labor cost in any article is greater in this country than it is in a competing country. This equalization is secured by the imposition of a tariff. The economic justification of the protective tariff is that the Government does a thing which the individual can not possibly do for himself. The individual can not compete with the civilization abroad. The tariff protects his opportunity.

Every duty levied upon an article not produced and not producible in this country, and therefore not levied for the sake of protection, is a tax. When the duty is insufficient in amount to stimulate American production it may also be a tax. (601, 602, 606.)

Mr. GUNTON says that protection properly applied and understood is not paternalism. Paternalism is giving something to the individual; protection is protecting the opportunities for the individual to do for himself. Protection in its strictly scientific aspect consists in preventing, by such nonpaternal methods as can, within governmental authority be devised, any element of a lower civilization from being the means of industrial success against the elements of a higher civilization. (612, 613.)

The Government should protect the superior element against the inferior. The inferior does not need protection and is not entitled to it. The test of civilization is the dearness of the man. A cheap man never created a high civilization or a strong nation. When, through social conditions, the average laborer and citizen becomes expensive, he is a factor in the economic life of the nation. Greater labor cost is an element of superiority which handicaps the manufacturer. It is the duty of the Government to protect that superiority against the inferiority of any other nation. Competition between nations should be on the basis of the higher civilization. If anyone wants the advantage of this country that person should have it only by rising to our plane of doing business. We should not be exposed to the disadvantage of being obliged to drop to his plane. (612, 613.)

The initial point of national development, says Mr. Gunton, is the diversification of industries. With diversification of industries comes development in every phase of human freedom. No nation makes any comparative progress whose industries are substantially uniform and monotonous. There is not a case in history of a nation's rising in intelligence, culture, power, wealth, or civilization, without having a considerable number of diversified artistic, manufacturing, and mechanical industries. The first principle of statesmenship, therefore, is to consider, not what the price of particular articles may be, but how the direction of industry can be made to lead toward diversification.

The importance of protection lies in the fact that it establishes industries in this country. The evil of buying our supplies in other countries lies especially in the fact that, by our so doing, our industries would be transferred to those other countries. If we lose industries we lose the employment of capital, the employment of labor, the influence of social progress among the people, the raising of the standard of living, and, in short, the effect of the civilizing influence of diversification of industry upon national development. We would not have had our development in machinery or our inventions, and we would not have had the great progress in all lines which we have had if industries had not been established in this country. (611, 619.)

The Government is not responsible for everything which grows out of the opportunities which it furnishes. If, by any subsequent conditions or influences, the opportunities furnished by the Government have been perverted, the Government is not responsible for that. That situation demands further action. If the Government, through the policy adopted by it, develops an industry, it does so because the development of that industry is for the welfare of the whole community. If a particular individual is made wealthy through the development of that industry, he has simply been benefited contemporaneously with the community. (613.)

H. Effect of tariff on export trade.—Mr. ATKINSON says that the duties on materials retard our export trade in the products which they enter into; also that the duties on the products of certain foreign countries prevent the establishment of an export trade with those countries. By the exclusion of the raw copper of Chile we lose the Chilean market. (521, 536.)

By admitting crude products of steel and iron free of duty, we might have enabled the well-bred, skilled American mechanics to convert these crude forms into the higher forms of mechanism and metal work for export long before we did. These higher arts employ a vastly greater number of men and require more intelligence than the mining of the coal and ore or the making of coke and the conversion of ores and coke into crude iron and steel. In the crude branches of the work there has been almost no true American labor for many decades. The work has been done by Slavs, Poles, Bohemians, etc. The difference between the price of crude metal to the makers of high-class mechanism or metal work in this country and the price to makers of similar goods in Europe from 1880 to 1889, averaged $7 per ton. The consumers of crude iron in this country, therefore, paid $7 per ton more than their competitors in Europe. Thus we protected Europe in the great commerce of the world, charging to ourselves $7 per ton in excess on an average consumption of 10,000,000 tons a year. During the whole period it is absolutely certain that, although prices were falling, the profits of the ironmasters in this country were excessive. (531.)

The burden of the tax on material can only be computed or estimated by the ratio which the amount of the tax on the material bears to the full value of the product into which the taxed material enters. He cites the case of the chemical industries, and says that there is no more harmful schedule in our tariff than the list of duties imposed on chemicals, drugs, and dyestuffs. The duties in this schedule increase the cost of dyeing and printing, of paper making, of fertilizers, and the cost of production in many other arts in which we might otherwise compete with European nations in supplying Southern and Central America, Mexico, and Cuba. If these duties increase the cost of printed calico one-tenth of 1 cent a yard they may deprive the printer of his little margin of profit. We may then find the great markets of the world closed to us, but opened to our competitors in Europe, merely through the protection which this little petty tax extends, a tax which yields little revenue and which maintains monopolies in the hands of the makers of some of these articles in this country. What is true in respect to the duties on chemicals is true to a greater extent in respect to the duties on wool, hides, and many other materials. (520, 521.)

Mr. ELLIOTT, a paint manufacturer of Philadelphia, says that such South American trade as his house has tried to do has been done under great disadvantages. The house has recently attempted to do business in Australia and India, but has found it almost impossible. The competitors in that field are mostly English and German.

Germany has preempted Mexico. The Germans have an advantage in cheaper lead and usually in cheaper linseed oil. The excessive duties which we levy on these articles result in exorbitant prices in the United States, which, since they are two main articles in the paint manufacture, hamper the foreign trade. The paint manufacturers would like to see the tariff on these articles reduced. (210, 214.)

Mr. LAMB says that tariff trusts sell abroad at a much lower price than to consumers in this country. They are enabled to do this by the protective tariff. This is a tax on export business. A man who is going to produce goods into which these things which are sold more cheaply abroad enter is at a disadvantage in competition with foreign producers, by being obliged to pay more for his materials. The export trade in such articles as eave troughs, and other goods made out of sheet steel, which had sprung up with Canada, has almost entirely disappeared, because sheet steel can be had cheaper in Canada than in this country. (585.)

Mr. HOLT quotes as follows from the August, 1900, Report of the Bureau of Statistics on Commerce and Finance: "The progress of work on shipbuilding in the United States has likewise been retarded because makers of steel materials required a higher price from the American consumers than they did from the foreign consumers for substantially similar products. * * * The progress of domestic manufactures of iron and steel goods may likewise be handicapped by the sale of iron and steel in their unmanufactured state at so much lower a price to foreigners than to domestic consumers as to keep the American competitor out of foreign markets generally. * * * Of the two policies open to iron and steel makers, the far-sighted one of keeping the domestic and foreign markets as near as possible on a par in the price of these materials of manufacture seems by far the wiser one to follow. * * * The other policy, of maintaining prices to manufacturers at the highest level at home, leaves little margin for experiment in seeking new markets, and restricts the application of iron and steel to additional uses at home. * * * There is something economically impossible in the policy of trade syndicates to attempt to sell as dear as possible at home and as cheap as possible abroad, and yet expect to develop a home market as the bulwark of national prosperity. Yet this is exactly the position of Germany to-day. The completeness with which the iron and steel trades are committed to this course, and the results already apparent in depressing these industries there, should warn those who are responsible for the policy of these industries in the United States." (563, 564.)

I. Relative resources and tax burdens.—1. *Generally.*—Mr. ATKINSON says that in comparing the resources of great competing manufacturing or machine-using countries of the world, which are the United States, the United Kingdom, Germany, France, Belgium, and the Netherlands, it will be found that the United States produces an excess of all metals, except tin; an excess of the products of the field, with scarcely an exception, an excess of the products of the forest, an excess of coal and oil, and an excess of all fibers, except silk and wool. Our competitors are deficient in and mainly dependent upon us for a supply of food, and for the most important materials entering into their processes of manufacture. (518.)

2. *Relative burden of taxation in the United States and in European countries.*—Mr. ATKINSON says that for 20 years prior to the beginning of the Spanish war, the yearly expenditures of this country for all purposes of government, omitting a few special bounties that were paid for a few years and the refund of the direct tax collected during the civil war, averaged less than $5 per head. The normal cost of government during that period was but a trifle over $2.50 per head, pensions and interest on the national debt being also $2.50 per head. The Spanish war and subsequent warfare in the Philippines increased this average until it reached $8 in the most costly year, and is now less than $7. The taxation of the United Kingdom for purposes of government each year, during the same period of 20 years, varied but little from $10 per head. The expenditures of Germany ranged from $8 to $10 per head; those of France were $15, and those of all other European countries were much higher than those of the United States. Under the stress of the Boer war the expenditures of Great Britain now amount to $18 per head. Those of Germany and France have both increased. Taxation represents a portion of each year's products diverted from the productive energy of the people to the necessary support of the Government. The annual production per capita of this country exceeds that of the United Kingdom by 15 to 20 per cent or more. It exceeds that of France by 25 to 30 per cent. It exceeds that of Germany by 40 to 50 per cent. The relative burden of taxation upon production does not exceed 2½ or 3 per cent in this country, while in Great Britain it must be at least 8 per cent, in Germany at least 10 per cent, in France not less than 15 to 18 per cent, and in Italy ⅓ of the product. In the difference in the relative burden of taxation for national purposes, this country, therefore, has an advantage over any European country of more than 5 per cent upon the value of our entire annual product. (529, 530.)

J. Tariff and other taxation.—Mr. LAMB says that at present a revenue tariff is necessary and will be necessary as long as we have an excise tax. Otherwise we should derive no revenue from our excise, because all spirits would be imported. He is opposed to incidental protection, as that seems to open the door to the most vicious form of corrupt influence. (599.)

Mr. Lamb believes that a tax on land values should be a part of our national income as well as of the State and city income. It would have to be laid in accordance with the provision of the Constitution which requires it to be laid according to the representation of the States. If Congress would lay a small tax that would not be a burden, it would ascertain where the ownership of the land values is. (600.)

K. Proposed tariff changes.—Mr. TAYLER says that because of our tariff legislation the country is getting along very well now, and it would be exceedingly unfortunate, from a business point of view, to introduce any element of unrest into the business conditions of the country by opening up the tariff question. (608.)

Our system of reciprocity ought, however, to be developed in accordance with the principles upon which our protective tariff system is based. Reciprocity should be applied to those things which we do not produce, and it should be a lever in our hands to develop that narrow line of American products which we can sell abroad. There are many millions of dollars' worth of things that we must buy from other people, and that kind of trade can be used to make those people buy from us what we produce. If there were a sliding tariff, a maximum and a minimum, within which the President had the right to move, and which could be applied so as to develop our export trade, it would be desirable. (604, 605.)

Mr. ATKINSON says that the protection of domestic industry now demands further additions to the free list, even to the extent of admitting free every article named as crude or partly manufactured. If that addition to the free list were made, the loss of revenue would be less than one-third the present surplus. In 1884 Mr. Atkinson made a compilation which showed that 60 per cent of all the articles named in the tariff could be transferred to the free list with a reduction of revenue of only 12 per cent.

If the tariff were removed from old scrap iron, steel, copper, and other metals, they would be brought in ballast without charge from many parts of the world, to the restoration of the smaller metal industries of New England and the seacoast, which have been destroyed by the duties on old metal. (527.)

Mr. LAMB would like to see the Babcock bill or something similar to it passed as an entering wedge. If the consideration of it should open up the whole tariff question, that would be a good thing. It is true that whenever the tariff undergoes general revision there is considerable suspension of trade, but there is no need of such delays as there have sometimes been. The removal of the tariff from certain products, while it is left on others, would simply be the substituting of one inequality for another. There are varying rates now upon different articles; therefore inequality already exists. (593.)

Mr. HOLT says that for every mill closed up by the removal of the tariff, 2 would open. We should lose some industries, but we should gain others for which we are better fitted. It is probably true that in some isolated cases mills to supply the United States market were established in foreign countries during the existence of the Wilson tariff law, but this was not the case generally. An officer connected with the leading textile industry of the country said that the manufacture of woolen goods and of some other kinds of textiles improved more during the low tariff of the Wilson law than it had before or since. A larger proportion of the textile mills are closed now than ever before. If the use of shoddy was greater during the existence of the Wilson bill than ever before, it was not so large as it has been since. The statistics of last year, as published in the papers, show that the people consume 1 pound of shoddy now to every pound of scoured wool. Three-quarters and perhaps nine-tenths of the shoddy and waste used in this country comes from our own shoddy mills. Mr. Holt would go to the limit in removing the tariff on woolen manufactures. (580, 581.)

Mr. CHAPMAN thinks it would be very unwise to repeal the duty on manufactured steel products because of the formation of the gigantic steel combination. It would be unwise to legislate in that direction, because such legislation would mean the destruction of American industries and the building up of the business in some other countries. The repeal of the tariff would injure independent operators more than it would injure the combinations. Tariff agitation is most disastrous to the business of the country. There is no need of legislation in that direction at present. (110, 111.)

Mr. HOLT presents a copy of a letter written by the president of the Wilmot & Hobbs Manufacturing Company, of Bridgeport, Conn., which was published in the

Iron Age in May, 1900. This letter states that there are various associations of manufacturers along the Atlantic seaboard and the Canadian border, and especially in New England, who desire to have such commodities as coal, coke, iron ore, pig iron, steel ingots, and steel billets on the free list. They believe that these materials are produced more cheaply in this country than in any other portion of the world, and that the protection given is the giving of Government assistance to monopolies and trusts. Mr. Holt says that this letter and other similar testimony does not intimate that the small manufacturers would be killed off by the abolition of tariff duties while the trusts would continue to do business. The little fellows realize that while the tariff lasts they are at the mercy of the big fellows. (563.)

Mr. Gunton says that it would be a good thing if the tariff question could be referred to some permanent commission or department or official instead of being left to the regulation of Congress. There is nothing so important as to have the tariff reduced to an economic basis, governed by a general principle, and dealt with by an official department. If there is any constitutional or other difficulty in the way, it should so be dealt with as to make this course possible. (634.)

XXXV.—SUNDRY QUESTIONS OF TRADE AND INDUSTRY.

A. Foreign trade. (See also *Effect of tariff on export trade*, p. CLIV.)—1. *Statistics.*—Mr. Atkinson says that there is great variation between the figures as to the value of our exports to each European country which are given by our customhouses and the figures of the amount of imports from the United States which are given by those countries. The larger figures credited to us by foreign countries are due to the fact that freights and other charges are included, and that there are duplications.

It is important to note the relatively large proportion of the total imports of European countries which the imports from this country constitute. All are dependent in a very considerable measure upon us. Mr. Atkinson submits tables showing the exports of the United States for the years 1895 and 1900 to the various European countries, the value of the imports into those countries credited to the United States by them, and our imports from each of those countries. (528, 549, 551.)

Mr. Atkinson thinks that a new classification of our exports is called for. They are now classified as products of agriculture or of manufactures. Under the head of products of agriculture some of the highest forms of our manufactured goods are included, such as wheat flour, canned meats, preserved fruits, dairy products, etc.; while under the head of manufactures are included some of the crudest of secondary forms of other products, such as copper matte, petroleum, etc. He suggests a classification into products of the field, the forest, the mines, the sea, and the factory, with each of these classes divided into goods crude, partly manufactured, and finished. Mr. Atkinson submits a table classifying our exports in the years 1895 and 1900 according to the method proposed. (528, 546.)

Mr. Atkinson submits a classified table of the imports into this country from 1894 to 1899, inclusive. (549.)

Mr. Holt presents a table showing the amount of the exports of wire nails and wire during the years from 1893 to 1896. (561.)

2. *Export prices lower than domestic prices.* (See also *Effect of tariff on prices*, pp. CXLVII.)—Mr. Holt, secretary of the tariff reform committee of the Reform Club of New York, says that practically all of our manufactured products are sold to foreigners at lower prices than to Americans. The minimum difference is about 10 per cent, the average difference is probably 20 per cent, and on protected products above 25 per cent. Often we have to pay 50 per cent, and sometimes we have to pay 100 per cent more for the products of our protected industries than is paid by foreigners. It is true that exporters in all countries charge lower prices on exported goods than on those sold in the home market, but not to anything like the extent that our exporters do. Manufacturers export at certain times when they have a surplus product which they can not sell at profitable prices, and the difference between export and domestic prices is very slight, probably from 5 to 10 per cent, while the American manufacturer sometimes makes a difference of 100 per cent.

During the two years ending December 31, 1900, we exported 136,000,000 pounds of wire nails. The average price of these nails in this country, as given in the Iron Age of January 3, 1901, was 2.68 cents per pound. The Government statistics tell us that the average price paid by foreigners was 2.44 cents per pound. Late in 1899 wire nails were being sold in this country at from \$3.10 to \$3.53 per keg, while large quantities were being exported at from \$2.24 to \$2.20 per keg. At the same time barbed wire was being sold to Americans at \$3.67 to \$4.13 per 100 pounds, while it

was being sold to Canadians for $3.25, and to more remote foreigners for $2.20 per 100 pounds. In November, 1896, the price of wire nails to foreigners was $1.30 per keg, while the price to Americans was $2.70 per keg. There are different qualities of wire nails, but the difference in price is not more than 20 cents per keg. The facts concerning these export prices were obtained from the export books of a certain New York exporter. It is probably true that at the same time nails were sold through other exporters at quite different prices.

Tin plate is being extensively offered to manufacturers of cans and packages to be filled with products for export at about $1 per box below the price to other manufacturers and consumers. Steel rails were sold some 3 months ago to foreigners at less than $21 per ton, and there is no doubt that steel rails are sold for export at whatever the manufacturers can get, about $20, and perhaps considerably less if the time for delivery is remote enough. The manufacturers' agreement under which rails are now sold for $28 is not effective on rails sold to foreigners, or for export. (555, 556, 560, 561, 576.)

Mr. Holt says that the extent to which goods are sold at lower prices for export than in the home market is not known to most people, because the trusts take pains to conceal export prices, and practically pledge all parties concerned to keep all such knowledge from reaching the public. It is extremely difficult to obtain export prices. This concealment of export prices is probably responsible for much of the difference between the values of our exports and of our imports, and therefore for our apparently favorable balance of trade. Most of our export goods are placed at fictitious and higher prices than those at which they are actually sold. (555.)

Mr. Flint states that at times when there is a surplus of production, manufacturers will seek a foreign market at a concession. That condition exists in all countries; it is not a prevailing condition in this country. There has been less disposition on the part of combinations to make lower prices abroad than there was on the part of individual manufacturers. The combinations, by their regulative power, avoid excessive production. Before the organization of industrial combinations, more goods were frequently produced than this country would take, and, under financial pressure, manufacturers had to make a sacrifice in order to realize cash. (86.)

Mr. Waterbury, former president of the National Cordage Company, understands that it is the usual practice of manufacturers, both in the United States and in other countries, to sell goods abroad cheaper than at home. American rope makers, for instance, if they are selling to their regular trade at 10 cents, could not afford to cut the price to that trade to 9¾ cents. It would knock the profit off the business. But they might send rope abroad at 9¾, where their regular trade would not be interfered with. He thinks this is natural without any combination. (136.)

Mr. Gunton says that it is always the practice of people who export to meet the foreign market. It often happens that it is actually beneficial for a large concern to sell a part of its product at cost if that part is necessary for the development of the business of the concern. (633.)

Mr. Elliott, a paint manufacturer of Philadelphia, thinks that the present laws of the United States under which, if goods imported to the United States are billed at prices lower than the market prices in the countries of origin, the customs officers raise the valuation, make it impossible for the foreign manufacturer to sell goods here at lower prices than he charges in his own country. (217.)

3. *Advantages of export trade.*—Mr. Flint says that while holding our home market we should extend our markets abroad. It is very important to have a widely distributed market. With such a market we are less subject to the effects of periods of contraction and expansion. (87.)

4. *Merchant marine.*—Mr. Schwab thinks that one of the chief difficulties of an extensive foreign business is lack of American shipping. It costs more to send a ton of billets or rails from Pittsburg to Europe than it costs to make a ton of steel from the pig iron. Steel products are most desirable ocean freights, and ought to be carried from New York to Liverpool for about one-half the present cost, in ships arranged for the purspose. Mr. Schwab thinks that foreign shipping is not likely to carry our products, competing with foreign products, without great profit. (465.)

B. Traveling salesmen.—1. *Number and earnings.*—Mr. LaTaste says that 200,000 to 250,000 would be a conservative estimate of the number of traveling salesmen in this country. The vast majority work for stated salaries, plus their legitimate expenses. Some of them get a salary and in addition to that a percentage on their sales over and above a certain amount. The minimum salary paid to men traveling over a very limited territory for local houses would be about $900 per annum, plus expenses. The maximum would probably be between $4,000 and $5,000 a year. (30.)

2. *Organizations.*—Mr. LaTaste, of Montgomery, Ala., president of the Traveling Men's Protective Association, says that that association is composed of traveling men, wholesale dealers, importers, manufacturers, commission merchants, and their buyers and sellers. Men whose sole business is insurance would not be admitted, though if a manufacturer were also an insurance man, that fact would not debar him. The national board of directors of the association would cancel the membership of a man if it were found that he traveled a day a year just to come into the association, or only traveled occasionally.

On the 1st day of February, 1900, the association had 14,645 members, of whom 75 or 80 per cent were traveling men. The organization is controlled almost exclusively by traveling men. The association was formed for the purpose of promoting the interest of traveling men and of others who might be members of it. It was incorporated under the laws of Missouri, in June, 1890. Its membership has grown from 1,139 on June 1, 1891, to 14,645. The membership fee is $2, and the annual dues $10. There is an indemnity fund out of which death benefits are paid in case of death by accident, and weekly allowances in case of total disability through accident. (20, 21, 24, 26, 31, 32.)

The association has succeeded in securing interchangeable mileage over something more than 78,000 miles of railroad from the Western, Central, and Southwestern Passenger Associations. The bill for the creation of a Department of Commerce originated with the Traveling Men's Protective Association. All the work of that character which has been done by the association has been done through its national committee. (26, 27.)

In addition to the Traveling Men's Protective Association there is an organization known as the Commercial Travelers' Mutual Benefit Association, which has a membership of about 2,000, and which is mostly an insurance organization. Its headquarters are at Utica. There is another organization of traveling salesmen in Iowa, with a membership of about 11,000. There is 1 in Kansas or Nebraska, and 1 or 2 in Illinois. There is also the Western Commercial Travelers' Association of Missouri, which is a life insurance organization, and there are a number of other smaller organizations. The Traveling Men's Protective Association is the only national organization of which Mr. LaTaste knows. It has State divisions organized in 30 States, and each State has 1 or more local posts. (25.)

C. Railroads.[1]—1. *Freight discriminations.*—Mr. Fitler, of the Edward H. Fitler Company, has not come directly in contact with freight discriminations and has no personal knowledge of any. (149.)

Mr. Holmes, treasurer of the Plymonth Cordage Company, says that he would be better satisfied if he knew that everybody had to pay the same freight rates. "There is a feeling of unrest when we have to run around to see whether we can get any special advantages, and sometimes succeed." He does not care whether freights are high or low, provided they are the same to all. He only asks to be put on a basis of equality with his competitors. (142.)

Mr. Klinck, a meat packer of Buffalo, asserts that the large packing concerns of the West have advantages in transportation. In particular, he is confident that their shipments in their private cars are underbilled. He states that he sold several cars of meat 5 or 6 years ago to one of them, who put it in his own cars. "He put 33,000 pounds of meat in a car, and the bills were made out in my office for 22,000." Mr. Klinck's own shipments are made at actual weight. The railroads employ men to take the actual weights of the packages. (274, 275.)

2. *Increase of freight rates.*—Mr. White, president of the National Salt Company, says that according to his experience freight rates have advanced about 30 per cent on the average in the last 2 years. Not only this, but the minimum carload of salt has been increased from 30,000 pounds to 40,000. This is an economy to the railroads, but a burden to the shipper and the receiver. It is more expensive to load a car of 40,000 pounds than one of 30,000. (267.)

3. *Railroad receiverships.*—Mr. Hopkins, who has had experience as a railroad manager and receiver, does not think that statutory regulation of receiverships is necessary so long as the judges are like those he has dealt with. They have steadily considered the upbuilding and improvement of the property. The roads under their control have been more thoroughly subject to the Interstate Commerce Commission than roads otherwise controlled, for the judges have not been willing that their receivers should be found manipulating rates, as independent managers have done. (515.)

D. Government ownership of public utilities.[1]—Mr. Hillyer thinks that the United States Government should control the railroads, the telegraph, and the long-distance telephone. There should be municipal ownership of waterworks,

[1] This subject is much more fully discussed in volumes iv and ix, Reports of Industrial Commission.

and of electric-light and gas plants. In the case of natural monopolies, such as the supplying of water or light to a community, competition is of no avail as a remedy for evils. The city of Atlanta owns its waterworks, and absolutely wholesome water is supplied to the people at the rate of 10 cents per 1,000 gallons. The rates in Macon, Columbus, Montgomery, Memphis, Nashville, and Chattanooga are in every instance twice as high. In all of those cities, with the possible exception of Nashville, the water supply is controlled by private companies. In the course of 20 years' control of the water supply, the city of Atlanta has paid out of its profits all but $630,000 of the $2,300,000 invested in the plant, and the plant to-day is worth from $3,000,000 to $4,000,000. (17, 18, 19.)

Mr. Tayler says that the trust points inevitably to socialism, and will reach Government socialism. When the interests owning or controlling any product or property, or production, or method of transportation are unified into one group, they operate that enterprise for their own benefit, and it is an easy step for the people to determine to acquire and operate those enterprises for the benefit of all. (603.)

Mr. Mathews, a refiner of petroleum in Buffalo, N. Y., declares that the remedy for railroad discriminations is public ownership of railroads. (651.)

XXXVI.—CONDITIONS OF LABOR.[1]

A. Wages and general condition of working people.—Mr. Klinck, a meat packer of Buffalo, says that the general condition of working people is vastly improved since he went into business 44 years ago. People used to work from 12 to 16 hours a day then, and they did not live nearly as well as they live now. (278.)

Mr. Elliott, of John Lucas & Co., paint manufacturers, of Philadelphia, says that his house is paying the same wages that it paid in 1892, and has paid the same continuously. He does not think there has been any reduction of wages generally in the paint trade. He understands through newspapers and magazine articles that wages in the paint manufacture are about one-third higher in the United States than in Europe. (211, 212.)

Mr. Hopkins, president of the Sloss-Sheffield Iron and Steel Company, says that there are Scotchmen and Englishmen and some other foreigners in the mines of his company near Birmingham, Ala., as well as native miners, both colored and white. During the last 4 years there has been an advance of more than one-third in the price per ton for mining coal. This has been an advantage to the white miner, but Mr. Hopkins does not think the colored miner is much better off. "He needs only a small amount of money. He lives in the company's house, buys his provisions from the commissary, and is generally the company's man. When he dies, he is buried in the company's cemetery. He has a pretty good time, because he does not permit himself to be worried much, and if he can make 55 cents a ton cutting coal he does not care to work more than 4 days in the week." This is not true of all the colored people, but it is true of the majority. (508.)

Mr. Hopkins gives the average prices per ton paid by his company for cutting coal, as follows: 1897 and 1898, 39 cents; 1899, 49 cents; 1900, 54 cents. At the time of Mr. Hopkins's testimony, May, 1901, the company was paying 55 cents. Every 2½ cents advance to the miners gives an advance also to the drivers, men driving entries, coke men, and day laborers. All have been advanced about 33⅓ per cent. A good white miner who will work can take out about 6 tons of coal a day, and at present prices can get $3.30 for it. (508.)

Mr. Spalding thinks that the general advance in wages has not been in proportion to the advance in prices. (2.)

Mr. Gunton says that the machinists to-day are perfectly justified in asking for a reduction in the hours of labor, and in asking that the reduction of hours be not accompanied by a reduction of pay. If ever there was a time when the laborers had a right to demand some concessions as a part of the prosperity and development of industry, that time is now. (615.)

The protective function of the Government should include the laborer and should give to him the same extent of protection which it gives to the capitalist. The laborer should have the opportunity to become intelligent. The Government should see to it that hours of labor are shortened, that the homes of laborers are surrounded by sanitary conditions, and that the labor of children is prohibited. (614.)

B. Relations between employers and employees.—Mr. Hopkins says that he does not believe that there is any necessary antagonism between capital

[1] See also Relation of tariff to wages, p. CL; Social effects of the tariff, p. CLIII, and evidence summarized under the names of the several combinations.

and labor. It is impossible in this country for capital to tyrannize over labor. The laboring classes are too intelligent and too conscious of their own power; they understand too well the power of labor combinations, the force of public opinion, and the possibility of a resort to legislation. Labor has the same right to protect itself in any lawful way as capital; has the same right to organize and to fix the wage scale. It is doubtful if a strike is beneficial, on the whole, to labor, though the contrary may be true of the lower classes of labor, such as coal mining. Mr. Hopkins is not in favor of compulsory arbitration, nor of appeals to the courts for injunctions, except when that is the only way to prevent violence. (344, 345, 355, 356.)

Mr. FLINT states that there has never been a strike in any industry with which he has been connected. (85.)

Mr. SCHWAB states that the agreements between labor organizations and some of the constituent companies, which existed at the time of the consolidation, have, of course, been lived up to. Mr. Schwab does not seem, however, to have a high opinion of such agreements. When an agreement has been made for a given time, it may prevent strikes for that period; "but the periods recur pretty often, and it gives a good excuse for differences." (461.)

C. Immigration.—Mr. TAYLER says that the practically indiscriminate immigration which has come into this country for the last 30 years has had an adverse effect on industrial conditions, and in many cases has demoralized the rate of wages. A slight educational qualification for immigrants would accomplish all the restriction which is necessary. (606.)

D. Prison labor.—Mr. ATKINSON says that prison labor competition is not true competition, for the reason that the building and capital are furnished without charge. Prison competition may have interfered with a few small arts, but it has not been of great importance. (535.)

E. Company stores.—Mr. HOPKINS, president of the Sloss-Sheffield Iron and Steel Company, says that his company has stores connected with its works near Birmingham, Ala., and that the men are permitted to trade there as soon as they have money due them. The men are not compelled to trade there, but many of them need credit, and Mr. Hopkins thinks they would have to pay more in these isolated districts if the company did not have the stores. Wages are paid in cash once a month. (509.)

F. Company tenements.—Mr. HOLMES, treasurer of the Plymouth Cordage Company, says that his company owns 173 tenements, while it employs about 1,000 persons—men, women, boys, and girls. Its purpose in building tenements is to have its employees at hand and give them better houses to live in. It does not give them an opportunity to buy the tenements, though many of the employees have their own houses in the neighborhood. The tenements recently built have usually 6 to 8 rooms, and some of them have gardens of from 2,500 to 7,500 square feet each. They rent from $1.90 to $2.50; very few as high as $2.50. They are provided with running water, the cost of which is included in the rent. There are bathrooms, but with only cold water in them and not hot. (140, 145.)

G. Clothing and textile manufactures.—Mr. ATKINSON says that the manufacture of clothing gives more employment to the masses of the people than the manufacture of textiles; that wages are a great deal higher and the conditions of life better. The poor foreign sweat-shop sewing women are poor because they are poor sewers. Wages are much higher in the making of shirts than in the making of shirtings, and the conditions of life are better, and the girls work under better conditions. (541.)

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TESTIMONY.

TESTIMONY.

TRUSTS AND INDUSTRIAL COMBINATIONS.

GENERAL AND MISCELLANEOUS PROBLEMS.

ATLANTA, GA., *March 20, 1900.*

TESTIMONY OF JACK J. SPALDING, ESQ.,

Lawyer, Atlanta, Ga.

The subcommission of the United States Industrial Commission met at the Kimball Hotel at 9.25 a. m., Senator Kyle presiding. Jack J. Spalding, esq., lawyer, being duly sworn, testified as follows:

Q. (By Mr. SMYTH). Will you give your name to the secretary?—A. Jack J. Spalding.

Q. Your place of residence.—A. This city.

Q. And your occupation.—A. Lawyer.

Q. I believe you were to be examined on the subject of trusts. If you have a statement to make to the commission we shall be very glad to hear you, and we will ask you questions later.—A. I have not prepared any.

Q. Have you a copy of our syllabus?—A. Yes; I have no written statement. I had supposed that the particular phases of this subject that you wanted to develop would be asked about, but I have some views on that subject that I can express in a rather disjointed manner.

Q. Do you think trusts are inimical to the welfare of this country?—A. Yes; I think they are.

Q. Have you thought over any plan by which the evil in them could be curbed, while the good, if there is any good, could be preserved?—A. Well, yes.

Q. Will you give us that plan? I suppose you recognize the fact that trusts have come to stay, as far as you can see.

(No response by the witness.)

Q. (By Mr. RATCHFORD.) Would it not be well, Mr. Chairman, for the witness to state why he believes them to be injurious?

CAUSES AND EFFECTS OF TRUSTS.

Q. (Mr. SMYTH.) Please state why you believe them to be injurious.—A. My idea is that the general term "trust" is a sort of indifferent term, and when we speak of a trust my idea is that we refer merely to combinations and pools that result in snuffing out competition. I think people look on it in the same way, and the effect on the public is just the same, whatever machinery is used, when that result is brought about. Furthermore, trusts are rather a manifestation and effect than a cause. I think that trusts arise from the legislation that has been enacted by the dominant party in this country for the past twenty-five years; that the effect of the protective tariff and the centralized legislation that has been enacted has been inevitably to produce trusts, and that they are the natural, logical outgrowth of that underlying cause. That is the reason why they have come to stay. It is because the cause under them inevitably and logically produces them.

Q. (By Mr. RATCHFORD.) That comes from national legislation?—A. National legislation. I do not believe the States could do anything to suppress them; I believe all these efforts of the State legislatures to legislate are hurtful.

Q. (By Mr. SMYTH.) Do you believe that of the antitrust laws like those of Texas?—A. Yes; I believe they are hurtful. The tariff is the most fruitful cause of trusts. The development of the powers of Congress under the interstate-commerce clause is another cause. I think that the combination of the railroads in this country is just as inevitable and logical as anything that has ever transpired. When the interstate-commerce law was established their combination began, and a great many others of these enterprises come from the same cause. Now, I think they are hurtful, because they snuff out individual effort. They deprive an individual of the opportunity of rising. Combination destroys competition and puts it in the power of the parties in control of the trust to put up prices extortionately. It is a natural thing for a man to charge all he can get. As long as he is protected by any combination or any law behind it that allows him to charge, he will charge. You take the Western Union Telegraph; see what the long-distance telephone has come to. Or take any of the different businesses. Take the manufacturing interests of this country. We see them selling in the open markets of the world at far cheaper prices than to our own people, because they are protected here at home.

Q. Does not that, however, add to their business output, and in that way give employment to a great many more people, by selling the surplus products abroad even at a less price?—A. I do not think we are an eleemosynary institution in this country, to go to work and fix a man up so he can compete with the outside world by making us pay an enhanced price here.

Q. Is not that the direct result—the advancement in work and the employment of a great many people?—A. I do not think there is any warrant in law under the Constitution for any such legislation. I think when you do that you take money unjustly out of one man's pocket and put it into that of another, without any warrant in law.

Q. Do you know of instances where the trusts have advanced prices? The commission will be glad to know if you have any information of that kind.—A. It is pretty hard to say that you know directly that the trusts did it. I might reply by asking if you know anything in this country under the control of trusts of which the prices have not gone up, unless, perhaps, cotton. I suppose you know that in mill machinery there is a pool. You can not say it is a trust. There is a combination; I think they have a fixed price they sell at. They are protected by an enormous tariff.

Q. The raw material that is used in all these productions has advanced very materially?—A. That is true.

Q. That is to the benefit of labor, is it not?—A. That is true; but then at the same time they are selling abroad, shipping pig iron from Birmingham to England and Germany. I was talking with Mr. Sol Haas the other day about this matter. He is in the Sloss Iron and Steel Company.

Q. Birmingham, Ala.?—A. Yes.

Q. Do you not think the general advance in price is a benefit to the community at large?—A. Well, yes; if it is a general advance in prices, I think it is a benefit.

Q. Has not, with this advance in prices, come an advance in wages?—A. I do not think an advance corresponding to the advance in prices. I think that the wages have advanced less in proportion than the material.

Q. Now that you have stated the effects, as you think, of trusts, can you suggest a remedy?

Q. (By Mr. RATCHFORD.) So far as you are aware, are the trusts purely an American institution?—A. No, sir; I think they have developed.

Q. They exist in foreign countries, do they not?—A. That is correct.

Q. Well, if tariff legislation has produced trusts in our country, what has produced them in England?—A. I have not studied that especially; but there is a general tendency in monarchical governments to concentrate and combine everything. I am not surprised at that—that we are patterning after the English Government.

Q. What States in our own country afford the greatest opportunities for the organization of trusts?—A. You mean under the general State laws?

Mr. RATCHFORD. Yes.

A. I think Delaware, West Virginia, and New Jersey.

Q. New Jersey?—A. They are advertising. I get advertisements every few days holding out the brilliant advantages of this State.

Q. (By Mr. SMYTH.) You mean in getting a charter?—A. Yes.

Q. The charter is more liberal than that of other States?—A. Yes; they send out circulars stating that they are more liberal than other States are—do anything; no regulations, etc.

Q. (By Mr. Ratchford.) When you make suggestions I hope that you will take up that phase of it as to uniform legislation by the States or national legislation looking to equality.

Q. (By Representative Livingston.) Have you looked into the matter of dealing with these trusts—whether we are shut up to State remedies or may employ national remedies, or both, taking it for granted that trusts originate under State charters—State franchises?—A. I think it is a national question. I do not believe the States are going to do any good in handling it. The fact is, I believe they do harm, because it is not uniform. You have one set of laws in one State and another set in another State, and here all the arteries and means of commerce are, you might say, wiping out State lines. The railroads do not stop at State lines, nor the telegraph lines, nor any of the avenues of commerce, and it produces an irritating local condition in spots if you undertake to deal with a question from a local standpoint which is national in its nature. I believe the remedy has to be like the evil. It is a national evil, and I believe the remedy will have to be a national remedy.

Q. Going back to the cause of trusts, do you remember the origin of the first in the United States?—A. I do not know about that. The most successful one, and the one referred to mostly, is the Standard Oil Company.

Q. Do you know the history of the sugar trust?—A. I have read the decisions on it; yes.

Q. And the steel trust?—A. The trouble about the sugar trust—that is an illustration of it; the law in New York declared that illegal, but in the strict statement, the sugar trust is not a trust; it has just formed a great combination. I do not think these things are going to be remedied by merely putting a remedy to the technical thing we call a trust. Pools, combinations, and centralization, anything that enables a man to suppress competition and to monopolize; that is where the evil comes from—suppression of competition and monopoly.

RELATION OF THE TARIFF TO TRUSTS.

Q. As I referred to the remedy, you were giving an answer to the question of Mr. Smyth—how trusts originated, what induced them, and what supported them. I thought you meant the tariff question?—A. That is correct. I think that is the most fruitful source of all of them. Give a man a bounty or protection on his industry—that has been justified for building an industry and enabling that man to get on his feet. That is the way it started.

Q. Really, is not this true, that the protective tariff, given to different industries of the country, creates a large margin for profits on that particular line of goods that they manufacture or produce; then that margin brings into the field such a number of plants or enterprises on that line that they consider it an absolute necessity to combine to get rid of competition?—A. Well, it just comes back to this: Whenever the output gets to a point where they are competing with one another they are going to get together and pool and combine and create a trust in order to reap the profit that this tariff gives.

Q. Now, then, if you take that position, if the United States Government should withdraw the protection from the raw material, and from the manufactured product of any of our monopolies, corporations, or trusts, how would that affect that trust?—A. I think that would regulate it.

Q. Would it regulate it by home competition, or foreign, or both?—A. Both. If they are able to sell in the open markets of the world they don't need that protection any longer, and it would certainly break up monopoly.

Q. (By Mr. Ratchford.) How would it affect the Standard Oil Company, of which you speak?—A. Well, I do not know about its affecting them. They are set out as a sample of monopolies.

Q. Removing all the tariff, inasmuch as they have no protection under it, would not necessarily——

A. (Interrupting.) No, sir.

Q. (Continuing.) Remove that evil?—A. No, sir.

Q. How would it affect the anthracite coal trust?—A. I think the effect would be right smart.

Q. Is there a tariff on anthracite coal?—A. No; but there is a tariff on the other coal, and the use of other coals is bound to have its effect on any similar production. If you take the tariff off coal and let these island coals come in, I think it will affect it.

Q. You understand, of course, that anthracite coal is free. How will it affect the ice trust?—A. I do not think it will affect that unless it affects the machinery, perhaps, the manufacture of machinery.

Q. In short, would it afford a remedy in any case in which the products of the trust come in free?—A. I do not think it would, unless it should affect the machinery

with which it is manufactured. In addition to that, when you try to regulate them there must be a national law, and we want it fixed so they can not cross the State line. Pass an act by Congress just like the one which broke up the lottery, providing that they shall not use the mails; like the law saying that they shall not use the express companies in shipping obscene literature. Pass a law that they shall not ship over State lines, and you will reach something then that will be uniform all over the country. One State may pass a law, but that doesn't amount to anything; they can circumvent that. One State will pass a law about oils, and another pass another, and they just put their plant right over the State line.

Q. (By Representative LIVINGSTON.) Do you think that would be a good measure?—A. I think it is the legal way to regulate it.

Q. Do you admit that trusts can be formed without any protection from import duties?—A. Yes.

Q. You only meant a while ago that, as a rule in the United States, most of them grew out of protection?—A. Yes.

Q. But there are several that are not protected—and trusts can be formed without a protective tariff to aid them?—A. It goes back to what I said a while ago. You define technically a trust; that is not the form of all combinations and monopolies; that is where the trouble is.

Q. Well, when seeking remedies, if you will pardon me, the United States Government must know whether a protective tariff bolsters, perpetuates, or stimulates trusts. If so, then we have only half a remedy, for, as suggested by Mr. Ratchford, there are trusts in the United States not in any way affected by the tariff. Then we want to know the remedy for them. You see the trouble the United States Congress has is that they have to find out all that stimulates combinations?—A. I do not take the position that all the results of combinations are necessarily evil. I think they have their attendant beneficent effects. They are not wholly an unmitigated evil. While the trust crushes out the individual and puts it in the power of these people to oppress by raising prices, at the same time it economizes production, and sometimes reduces prices—when it wants to; but it doesn't leave it to competition and trade and commerce to regulate the price. It leaves it to the will of the combination.

Q. Is not one of the greatest evils of combinations and trusts, these large monopolies, their influence in both State and national legislation, which is used to twist and warp everything in their direction?—A. I do not know that there is any question about that.

Q. (By Mr. RATCHFORD.) Is it not a fact that the inducements offered to trusts and combinations by the States which you have named, in the way of liberal charters, etc., have done more to organize and build them up than any other one thing?—A. Well, I hardly think that. I think that has been auxiliary to it; but, as I say, they are an effect rather than a cause. If those States had not done that they would have gone together and formed one big corporation just as the sugar trust did, after it was declared that the trust was illegal.

Q. We have more trusts organized, have we not, under the laws of New Jersey, Delaware, and West Virginia than in all of the other States combined?—A. I believe that is true.

Q. Now, if tariff legislation, which is national in its effect, is the sole cause, or even the principal cause, for the existence of the trust, why is it that they are not organized in other States?—A. Because those States give the most liberal charters. If those States did not give the most liberal charters, they would go to the next State, but they would be organized just the same. They are going to go where they can get the best charter and the easiest terms.

FORBID INTERSTATE COMMERCE IN TRUST PRODUCTS.

Q. (By Mr. SMYTH.) Will you explain more fully your plan of checking the transportation over the State line of the products of trusts? Give us a more practical plan.—A. Make it a misdemeanor to transport from one State into another, or to conduct interstate commerce in the products of the trusts; make it a misdemeanor for any transportation company to handle them in interstate commerce.

Q. Suppose there was one trust or combination that controlled exclusively the production of any one article. You would have that only in the State in which it was manufactured and prohibit its transportation?—A. I think if we broke the trust up and prohibited the product from going into any other State there would very soon be somebody manufacturing and supplying that article, or something that would take the place of it, in a legitimate way. I do not think it would do to say that, because a man is doing an illegitimate thing, if you stop him it is going to stop all in that business. If you stop him in the State somebody else will start up and do the business in a legal way. The reason they do not do it now is because these combinations

or trusts or pools are in power. Whenever a man finds it to his advantage to make his business a pool then somebody else should go into it in a local way.

Q. They could evade your plan by building a plant in every State and supplying the wants in that State.—A. That would do away with a great many of the offensive features of trusts and combinations.

Q. Why?—A. Because it would do away with centralization of the thing. It would disseminate it and make the trust maintain a plant and separate organization in each State.

Q. The testimony before the commission in reference to a number of these organizations is that they are simply combinations of ownership of plants which are widely scattered.—A. Yes; and a great many of the plants shut up. And, as the combination grows, they shut them up more than ever, and concentrate them wherever they can do the work the cheapest.

Q. Still, if they can establish one in each State to beat the law it seems to me that the law would be powerless to prevent the continuation and existence of the trust.—A. Should they go on and keep up the trust then the State law will regulate it. You forbid them to go across the State line; then the State can come in and regulate them.

Q. Can a State regulate a corporation that is chartered in another State?—A. No, sir; but it can say that a corporation chartered in any other State can not do business in that State except in a certain way. It can be regulated inside the State. The trouble now is that the whole thing is interstate, and there is no regulation.

Q. (By Representative LIVINGSTON.) Can a State, independently of Congressional act, tax the products of another State crossing State lines?—A. The courts have always enjoined them from doing that.

Q. Now, if the Congress of the United States gave a State permission to put a tax on products of those combinations when they cross from one State into another—is that your idea?—A. No; my idea is to regulate them so that a man who makes one of these articles that is prohibited can not ship it from one State to another, just as the law says that he shall not sell lottery tickets or send them through the mail, or send obscene literature by express or through the mail.

LEGAL REGULATION OF PRICES.

Q. (By Mr. RATCHFORD.) Under the operation of the trust is it not possible, and, in fact, is it not practiced, if competition exists—for instance, take oil, if you will—might not the Standard Oil Company cut prices below the cost of production within a particular territory and at the same time advance prices in 10, 20, or 30 cities of this Union? That is possible under the operation of the trust; and do you believe it is sometimes practiced to drive out competition?—A. I have no personal knowledge that that has been done. I see it stated in the discussion of the matter.

Q. What I should like your opinion on is this: Inasmuch as we have legislation looking to regulation of the affairs of railways to some extent, and as rates are fixed beyond which the companies can not go, do you or do you not believe that legislation looking to uniform prices in the products of the trusts—uniform in Georgia as well as in California or New York, and in every State in this Union—with the freight added to these prices, is possible or practicable?—A. Well, that would be going a long way, and it looks to me as if, from a governmental standpoint, you ought not to go farther than to forbid any man to put the price below what is a legitimate, fair price, in order to destroy competition, just as you would forbid him to put it up to extort money from the people.

Q. Is there any reason why a man, or combination of men, should not sell their products to one man as cheap as to another?—A. Well, that is going into a pretty wide field, you know, to regulate a man's right to contract, to dispatch his own business. It is going pretty far; it is paternal to say I will put a price on what you sell, when you are not dealing with a public corporation.

Q. If we have a radical evil we sometimes need a radical remedy, do we not?—A. That is true.

Q. It is not going any farther than trusts are going to-day, is it?—A. Well, not much farther than what is charged against them, but I do not know that they are doing such a wrong that it would warrant us in doing something which would bring in a trail of evils upon us, evils that would soon follow paternalism in all forms and departments.

Q. You do not think it practical to enact national legislation that would regulate prices?—A. I do not think so. I think you can forbid any trust, combination, pool, or monopoly to put prices down to destroy competition.

Q. Or put them up to a point of extortion?—A. Yes.

Q. (By Representative LIVINGSTON.) Do you believe the States can do this without national legislation?—A. I do not.

Q. Are you acquainted with the Texas law that was sustained a day or two ago by the courts?—A. Yes; I have studied those laws and the Arkansas law.

Q. (By Mr. Smyth.) Was that decision on the merits of the law, do you think?—A. No, sir.

Q. That question, you think, is still open?—A. I do.

Q. As to the constitutionality?—A. Yes. I do not believe that we shall ever get any practical results from State legislation. I think it is hurtful rather than otherwise.

SUNDRY LEGAL REGULATIONS.

Q. (By Representative Livingston.) You would recommend open books and publicity to the largest possible extent?—A. I think that is a good suggestion.

Q. Have you seen the preliminary report of the commission on that line?—A. No, sir; I have not read it. I read the address of this college president, Hadley. I read his discussion.

Q. (By Mr. Smyth.) The commission has made a preliminary report to Congress on the question of trusts, and submitted the testimony taken.—A. I have not seen a copy of that.

Q. (By Representative Livingston.) You would like to see it before finishing your testimony, to see whether you could corroborate our testimony?—A. I should like to see it; yes.

(Here the witness examined a manuscript copy of the report referred to.)

Q. I want to ask you some questions on it. You notice that the report of the commission takes the ground that there are good results from these trusts. We do not deny this. And there are evils, and we recommend that the evils be checked or got rid of. What should you say about the powers of the United States Government to prevent the organization of these combines or corporations? You understand that we have to use these words interchangeably, from the fact that they were originally organized as trusts or combines, and now they have all been reorganized under the term corporation—nearly all of them. Now, how can the United States Government reach the State of New Jersey, for example, so as to prohibit these almost unlimited privileges granted by it to the corporations or combines, if we deny the power under the Constitution of the United States to regulate them?—A. I think we can reach it in the way I have said. Take the recommendations that you have made as to how corporations should be formed. I do not think you have the right to go into a State and say that they shall not be incorporated except in the way you recommend, but you can say that when that company is incorporated in any other way it shall not engage in interstate commerce and shall not send its goods across State lines, and transportation companies shall not haul them.

Q. Then you believe that the United States Government, while it can not under the Constitution prevent the organization of trusts in a State, can lay down the method, the modus operandi, by which they shall proceed, and if the State overrides that, it can stop them at the State line.—A. That is my idea. That matter of the organization brings up another branch of this subject which I think is one of the greatest evils connected with it; that is the manner in which the trusts are capitalized. I think we are in the way, in this country, of one of the worst panics the world has ever seen. These trusts capitalize everything on the basis of its earning capacity, without regard to the substance behind it, and whenever the earning capacity is gone a collapse will come, and we shall see the worst panic we have ever seen in this country.

Q. (By Mr. Smyth.) What about the basis of capitalization?—A. I think your suggestions are good ones if you put something behind that to make it efficient. While you can not dictate to the States that they can not form corporations on any other basis, you can say that corporations shall not engage in interstate commerce if they do not do those things. Do not let them ship their goods across the State lines.

Q. (By Representative Livingston.) Could you go further and say not only that, but that they shall not list their stock for public sale?—A. I think you can regularly do it in any way in the world as long as you keep within the scope of the interstate-commerce clause of the Constitution. I think, for instance, that this State can incorporate any kind of a company it wants to, if it was not to do any positive crime; but you can say that it must not do business in any other State; not engage in interstate commerce.

PUBLIC CORPORATIONS AND PRIVATE CORPORATIONS.

Q. (By Mr. Ratchford.) One of the main provisions of the interstate-commerce law, I believe, is the provision against discriminations in freights?—A. Yes.

Q. Freight transportation is the only thing the railroads have to sell. The purpose of the law is to make the price uniform to all who use it, is it not?—A. Yes.

Q. On the same principle, why should discrimination not be prevented in the matter of selling the produce of a trust?—A. The difference is this: The railroad company is a quasi-public corporation. It is in its essence a monopoly, because you can not have two railroads running alongside one another. It discharges public functions, has the right of eminent domain to seize its right of way, and it is a public corporation as distinguished from a private corporation; and it has always been sound law that you could regulate public corporations in many ways in which you can not regulate private corporations. There is the trouble. You have got to go back, not to the interstate-commerce law about railroads, but to the interstate-commerce clause of the Constitution, which gives Congress jurisdiction over all matters of interstate commerce, whether railroad interstate commerce or any other. That is where the power is, I think.

Q. I should like you to point out the differences, briefly, between the franchise of a railroad company and the franchise of a trust. They both originally belonged to the public, and even though the railroad is now called a public institution, is it not a fact that it is controlled for private gain and that it is only public in name?—A. The radical difference between a railroad corporation and a corporate trust or combination is that when you incorporate a railroad you fix the places to which and between which it is to go. You give it a monopoly along its right of way between those places. You give it the right to go and take a man's land away from him whether he wants to sell it or not, and condemn it to public use, because that railroad has to discharge a part of the public functions, in providing highways for the people to travel over. When you incorporate industrial enterprises you do not give them power to take a man's property away from him; you do not say that they shall conduct their business one way or the other way. You allow them to get rid of individual liability, to aggregate their capital, and conduct the enterprise without investing it with any of these quasi-public powers or functions. And there has always been in the decisions a wide distinction between a company that has these powers and one that has the ordinary commercial powers.

Q. Are there not certain restrictions, certain considerations asked from the railroad company in return for these things, among which is that discrimination shall not be practiced?—A. Yes; I think it is all right to regulate railroads.

Q. Have they in a general way observed these restrictions?—A. I am not in a position to say about that. I think there is less discrimination now.

Q. Is it your belief that discrimination has been practiced?—A. Yes, sir; but that there is less of it now than there has been in the past.

Q. (By Representative LIVINGSTON.) I understand you make this broad distinction between a public franchise where the private interests of the parties are connected with public interests, where the Government can regulate without any question, and industrial organizations having no public ends to serve or conserve. The difficulty is in controlling these. That is the distinction you make?—A. The difficulty arises under your legal right to control.

Q. (By Mr. RATCHFORD.) I believe the witness, from the tenor of his testimony, though he has not perhaps stated it directly, has given the impression that they are both equally affecting the public.

Representative LIVINGSTON. Seriously?

Mr. RATCHFORD. Yes; seriously affecting the public.

Representative LIVINGSTON. Whether they do or not, the question that we are after is to know whether we have any control over them. We know that we have control over the railroads.

Q. (By Mr. RATCHFORD.) Manipulation of prices affects the public, does it not, as much as discrimination in freight rates?—A. O, yes; I was not saying that one ought to be permitted to go unregulated more than another. I was merely attempting to draw a distinction in your power to regulate.

Q. (By Senator KYLE.) There is no question in your mind as to the power of Congress to control matters of interstate commerce?—A. No, sir.

Q. Or to enact laws touching matters of interstate commerce?—A. No, sir; I do not think so. That has been thoroughly adjudicated by the courts.

NATIONAL CONTROL NECESSARY.

Representative LIVINGSTON (reading from Commission's preliminary report). "That the nature of the business of the corporation or industrial combination, all powers granted to directors and officers thereof, and all limitations upon them or upon the rights or powers of the members, should be required to be expressed in the certificate of incorporation, which instrument should be open to inspection by any investor."

A. Yes; that is a good—a salutary provision. The point I made was this: You make that recommendation. Now, suppose every State adopted it except one State—

what are you going to do with that State if it does not do it? My idea is, you want to make such provisions that if corporations do not do it they will not be allowed to engage in interstate commerce.

Q. I think the criticism is well taken in that connection. I can see how our recommendations as to State control will fall through in case one or two States fail to observe or enact. Then we should have to fall back on the national remedy at last, and your idea is that we had better take the national remedy and be done with it?—A. I think so.

Q. (By Mr. RATCHFORD.) You think national remedies should be provided, even if an amendment to the Constitution is necessary?—A. Whatever is necessary to do it. I believe we have pretty full powers under the interstate-commerce clause of the Constitution, myself.

Q. (By Senator KYLE.) In discussing the sweating system—national legislation to prevent that evil, a year ago—the same question came up, and I think that there is no doubt about the power of Congress to handle the subject by legislation touching interstate commerce, and covering articles manufactured by trusts. The taxing power of the Constitution could be extended to that, could it not?—A. Yes.

Q. (By Representative LIVINGSTON.) Would you suggest that we constitute a board similar to the Interstate Commerce Commission to back that enactment that you suggest or see that it is properly executed? Would it be necessary?—A. Frankly, that is something I have not had my attention called to or devoted enough thought to to make my views worth anything.

Q. You understand that a law without somebody to enforce it does not amount to anything?—A. You would have to provide the machinery to enforce it.

Q. Somebody suggested that the Attorney-General could have the law executed through the district attorneys of the different sections of the country; but suppose it is developed that he has already more than he can do on that line?—A. Of course, if you pass any law that is not enforced it is really worse than if you had not passed it. You want to provide the necessary machinery to carry the law out, and test it and see whether it will correct the evil or not.

Q. Would it be practicable, if that enactment should be made, to put it in the hands of the Interstate Commerce Commission?—A. As I say, I have not thought enough about it to know just what machinery should be put in motion to carry out the law. My opinion would be worth little on the subject without more investigation and thought.

Q. With the power trusts have in this country, you understand, they would oppose and probably thwart any ordinary legislation that Congress might enact, unless there was somebody behind it to prosecute it unequivocally and unhesitatingly.—A. I think they have sufficient strength now to make a pretty stiff fight. They will not lay down their guns simply for the asking.

Q. (By Senator KYLE.) You would advocate a resort to the taxing power? A. Yes, sir; I would advocate anything you have the constitutional right to regulate this thing by, under the interstate-commerce power or the taxing power.

CONTROL OF THE MONEY MARKET.

Q. Publicity is all right so far as it goes?—A. I think that is quite a big protection to the investor and the public.

Q. A great protection against financial panics?—A. Yes, sir. I think that is one of the worse evils that is going to come from trusts. I have seen somewhere a compilation of the capitalization of these things.

Q. (By Representative LIVINGSTON.) Are you acquainted with the causes that led up to the 100-per-cent money 40 or 60 days ago in Wall street?—A. It is hard to get the truth out of that place. I have heard two or three reasons given. I do not know that I know the true one.

Q. They can do that, can they—the combines?—A. I have the authority of no less a person than John C. Calhoun, who said 50 years ago that they would do it. That is the worst corner they could effect—a corner on money.

Q. If they have that power, what is left in the United States that they can not do?—A. There is a great deal left. That is a broad question. There is a great deal left that they can not do.

Q. Now, suppose they catch us with our Treasury depleted—it is now full; but suppose we were down to the bottom and about ready to issue bonds to replenish the Treasury—the gold reserve—and suppose they stepped in, with no power on the part of the Secretary of the Treasury to throw $1,000,000 or $2,000,000 into Wall street to save the country, as he did recently, what would become of the United States Government as well as the people?—A. It would pinch them pretty hard.

Q. They have the power to bankrupt the Government?—A. They would make it pay a pretty good price to be let off.

Q. (By Mr. SMYTH.) You do not understand that power is used by the trust?—A. No, sir, and no legislation against trusts would reach that.

Q. Your remedy as to interstate-commerce restrictions would not reach the cornering of money?—A. No.

Q. You do not believe that the cornering of money is done by any corporation. like the oil trust?—A. No industrial trusts.

Q. The money trust is not chartered in New Jersey or West Virginia?—A. No, sir; that is usually fixed up in——

Q. (Interruption by Senator KYLE.) It is a sort of silent understanding among the men that have the money?—A. Yes.

COMBINATION GENERALLY.

Q. Is there not a trust in every village of the United States? Among the Atlanta grocers is there not a pretty good trust?—A. It is as I tell you. The whole tendency of the times in our country is toward centralization, and it brings these things to the surface like that.

Q. You are a lawyer?—A. Yes.

Q. You have a bar association?—A. It is hard to tell.

Q. Have you a fee bill?—A. No, sir; there is less cooperation among the lawyers than among any other class in the country.

Q. The physicians have a fee bill, have they not?—A. I believe they have. They have a more compact organization than the lawyers.

Q. I have noticed in my town the butchers get around and talk the matter over, and you have to pay the same price for meat. It is a trust, but effected by a silent understanding between them.—A. The trouble about these agreements is, it is not the fellows in the same town. For instance, the pipe companies all over the United States—you send bids out to every single pipe company in the United States. Some are closer than others, and have the right to sell cheaper goods; the freight rates are less, and many other things. Some could afford to sell cheaper, but you can not get these rates. They will send a whole lot of bids, but there is one man instructed to put in a bid a little under the others. The others are uniform. The man designated to supply your wants does so.

Q. Are there any economical advantages from combination?—A. Unquestionably.

Q. What are the advantages?—A. Cheapening of production; enhancing of the quality of the output; method of distribution—all of these things.

Q. (By Mr. RATCHFORD.) Have they had anything to do with the exploitation of foreign trade?—A. I think so; some; yes.

Q. (By Senator KYLE.) Is it not entirely probable that many of our foreign markets have been opened up through combinations of capital that were not opened, and would not have been 50 years hence, under individual enterprise?—A. I do not know about the future, but I am satisfied that they have been opened up by combinations of capital.

Q. So you are not against capital and the organization of capital as such?—A. No; I have no communistic idea about these things; simply a proper regulation of these things.

Q. (By Mr. RATCHFORD.) What effect has the trust on wages of labor?—A. In this part of the country I have had little opportunity for observation about it. My opinion about that is based more on what I have read and what I have seen in the periodicals than on my own observation. It has not affected it a great deal here in this country. We come in more as the consumers of articles produced by the trusts than as the producers of articles handled by trusts.

Q. Have you gained the impression in any way that the trust has made war upon wages?—A. Well, that seems to be the trend of the public discussion of the matter that I have read in the papers. That is not from observation, but from reading and investigation.

Q. (By Senator KYLE.) Is it not entirely possible that the trusts are able to better gauge the consumption and demand than an aggregation of individuals simply?—A. They probably are; but the trouble is when you couple that to the ordinary human appetite and greed for gain, it is a very dangerous situation, because when you can regulate it as the trade demands, you can regulate it a little short of that and make the consumer pay more.

Q. As to the effect on labor, they are able to furnish greater continuity of labor?—A. Yes.

Q. And probably a more uniform wage, do you think?—A. They could do it; yes.

COMPETITION AGAINST TRUSTS.

Q. (By Mr. SMYTH.) Has not the history of trusts—the sugar trust, for instance—shown that any undue profit or excessive charge or advance has led to competition, invited capital to enter the field against them?—A. I do not know about the sugar trust. The two great trusts that are spoken of in the public mind and looked to are the Standard Oil and the sugar trust. Now I do not know this individually, but only from observation and indications. The Standard Oil Company seems to have been conducted on perfect business principles. There never has been this wild, violent fluctuation in the stocks of this company. On the other hand, the sugar trust seems to be one of the worst wildcats that ever got into the ring. I do not know whether it comes from the people inside speculating, but there is a good deal said about these people inside going out and building up pretended competition and unloading on the trust, and there is a thorough lack of confidence in the management of the sugar trust.

Q. Is there not a war now between the Havemeyers on the one side and the Arbuckles on the other?—A. It was said to be a war, and was a war, but just before the last big rise in sugar there was word passed around that their differences had been harmonized.

Q. Has there not been a decided cut in sugar in the last 20 days?—A. Yes. I do not know whether it is legitimate business or manipulation.

Q. You do not think it is competition between the two concerns?—A. I do not think there is any meritorious competition between them, but for speculative purposes. That is the general opinion I get from the people I talk with about the sugar trust. If you notice, there is more manipulation in that company than in any other company in this country.

Q. We have had a good deal of testimony before the Commission in Washington from sugar people on both sides, indicating a very fierce competition for the supremacy, and it is claimed by the Arbuckle people that there were excessive profits under the Havemeyer rule.—A. The business history of such enterprises is that they compete to a certain point, and then come together.

Q. Do you not think that any advance in the price of any article necessarily tends to invite competition—invites combinations of capital to enter the field in competition?—A. Sure; the higher the price the bigger the profit.

Q. Will not the evil work itself out and adjust itself in that way?—A. It has some tendency to adjust itself, and when some of the trusts are wiped out by depression, it will help it a good deal. I look for many of them to hit the ceiling.

Q. (By Representative LIVINGSTON.) Have not the tin plate, steel, and other combinations power to regulate competition by lowering the price at the time?—A. They have the power to do it.

Q. (By Senator KYLE.) Don't they do it? Take the Standard Oil trust, for instance; suppose an independent company starts in Atlanta to sell oil. What would be the result? Lowering the price of oil?—A. They have the power.

Q. (By Mr. SMYTH.) You say they pursue a very conservative management?—A. Their stocks have been steady. A man could invest in their securities with more assurance that it was going to be a business transaction than in any of these others.

Q. (By Senator KYLE.) It is a decided monopoly?—A. It is doing the business.

Q. A well-settled monopoly?—A. All the competition in this country is pretty well passed away. As I believe Governor Bullock said, they have put down the price of oil and enhanced the quality very largely.

Q. Below what it would have been without the trust?—A. That is very problematic.

Q. We have evidence in the western country, where the independent companies started selling oil at the regular price, the Standard Oil Company dropped to 17 cents. They began selling at 15, and the Standard dropped to 14, 12, 11. Finally the independent company dropped to 7, just exactly the cost of the oil laid down there, and the Standard dropped to 5, and held it there until the independent company was crowded out; then it would go back to 17 cents. That has been duplicated in a great many instances I could name.—A. The distinction I was drawing, when I said it was uniform and consistent in its business, is that it has been handled by a lot of men who were working for the good of the Standard Oil Company, whereas the sugar trust has been handled by a lot of men who were working for themselves, and manipulating the sugar trust up and down to suit their speculations on the market. And, to carry out the parallel you have described, if a fellow started a big sugar factory, instead of smashing it out, they would depress the stocks of both companies, and buy the other in and then unload.

Q. The complaint against trusts is that they throttle competition?—A. Yes.

Q. They say we invite competition from any and all sources, and when it comes——
A. (Interrupting.) Welcome it to a hospitable grave.

Q. Your judgment is that the greatest evil that is likely to arise is the crushing of all competition?—A. That is what it tends to, whether a trust, combination, monopoly, or what not. It kills all individual effort and aspiration, and puts the public at the mercy of the monopoly.

Q. The same complaint can be lodged, of course, against an ordinary corporation, organized in any village or city, that has the control of the output?—A. In a lesser sense; it is a question of degree largely, except where there is some special privilege given by law, or some special advantage given by protection.

Q. You think all these smaller corporations can be controlled by State legislatures?—A. Inside the State; yes.

Q. That would be your judgment as to a remedy?—A. I think if you regulate all those that do an interstate business, the States would very rapidly regulate the others. In fact, a great many of the States now have laws to that effect.

(Testimony closed.)

ATLANTA, GA., *March 20, 1900.*

TESTIMONY OF MR. GEORGE HILLYER,

Lawyer, Atlanta, Ga.

The subcommission of the United States Industrial Commission met at the Kimball House at 9.25 a. m., Senator Kyle presiding. Mr. George Hillyer, Atlanta, Ga., was introduced as a witness at 10.50 a. m., and, being duly sworn, testified as follows:

Q. (By Representative LIVINGSTON.) You may give your full name, address, and vocation.—A. George Hillyer, Atlanta, Ga.

Q. You wish to address us this morning on the manufacturing schedule and on the particular subject of combinations of capital?—A. Yes. I never received any intimation that I should be called before the commission until I happened in here yesterday as a spectator, but I am here now in response to a request of a member of the commission, and with the intimation that I should be expected to devote my attention specially to trusts.

CAST-IRON PIPE COMBINATION.

Q. What is your opinion as to the effect of trusts and combinations on the general welfare of the country? Take it as a general proposition first.—A. My profession has been that of a lawyer for forty-odd years, in active practice, except during the period of war and 3 terms on the bench, and I have had no special opportunities to have experience in regard to manufacturing enterprises, or to deal with trusts except in connection with some public duties devolving on me as the mayor of Atlanta during 1 term, and since that time for a period of 10 or 12 years as a member, and most of the time president, of the board of water commissioners; our waterworks here being the property of the city. It came under my observation that the city was made to some extent a sufferer, as we understood and believed, from the combination or trust among the pipe manufacturers. For a period of about 2 years we were made to pay—and the city has brought suit for the purpose of obtaining redress—some $6 or $7 per ton more than we should have paid for pipe; but the city did not buy a great deal of cast-iron pipe during these years, and therefore the amount was not very large, aggregating, I think, between $3,000 and $4,000 annually. The facts, as I recall them—and I speak without having notes, figures, or memoranda before me—were substantially these: The city advertised for bids for cast-iron pipe, and bids were furnished, sealed bids, with all the formalities dictated by business prudence in such matters, bids being signed, and certified checks inclosed for a stipulated amount, I think $5,000, backing each bid as a security for good faith and ability to perform. With every assurance on the part of the bidders of open competition, or actual competition, these bids were opened and, as I recall the figures substantially for one of these years, the bids ranged from $22 to $24 per ton. Those figures were deemed too high, and the board of water commissioners took action by rejecting all of the bids. Some time afterwards the executive officers of the commission reported to us that an agent of one of the bidders called at the waterworks office with an inquiry as to what became of the Atlanta pipe contract, professing entire ignorance of what had happened, and saying that he had gone on a business tour for his company at a distance, and wanted to know whether a supplementary bid would be entertained. He was

told he might file it and that it would be submitted to the commission. A few days afterwards another traveling agent of another company appeared, with the same statement and inquiry, and got the same answer. The result was that these two put in subsequent bids of their companies, and the bids were opened, and a small quantity of pipe went to the lowest one of those two, I think at a reduction of some $2.50 below the former bid.

It happened, however, that year that the city bought most of the pipe it needed from the Exposition Company, so the purchases were small. Subsequently a man appeared in Atlanta who professed to have been a stenographer, confidential clerk, and agent of the pipe trust existing in Chattanooga, which controls within its scope all of the pipe manufacturers south of the Ohio River, as he stated, and he had the original stenographer's notes—copies of minutes of board meetings, and papers—which, if genuine, showed on their face quite unmistakably the existence of a combination between all these different pipe companies, by which it was understood that certain territory was awarded to particular members of the combination, that Atlanta was in the territory of one of them, that the bids of those who were not in the territory should be above a certain figure, and that the company to whom the territory belonged should put in the lowest bid, all knowing what that bid was to be, and that, in point of fact, taking the scope and appearance of the entire matter, these men who came along professing to be ignorant of what the bids were or what action had been taken were really sent here, the matter all being understood between them. Now, that thing was repeated substantially another year. At any rate these men did not appear on the ground until the purchases had all been made. We were informed by this man also that the United States district attorney in Chattanooga had instituted a suit in the Federal court at Chattanooga for the purpose of recovering damages and breaking up this trust. The city took no action until after that suit was decided. The decision was adverse to the plaintiffs, and the so-called trust was upheld in the lower court. Our information is, however, that afterwards the case went to the court of appeals at Cincinnati, and there the decision of the court at Chattanooga was reversed, and I am informed that since then the Supreme Court at Washington has affirmed the decision of the court of appeals.

Senator KYLE. I think it has; yes.

A. The Sherman trust law, as it is called, has been upheld. Now, in one of these sugar-trust cases a distinction was drawn between a combination of individuals or of different companies engaged in manufacture and a combination that existed by the purchase of the combined ownership of a manufacture by one or more individuals, either a natural person or an artificial person; but in that instance the court seems to have held that it was a combination between independent companies. My information is that these different pipe companies have, since the decision against them, sold out their stock to one another and have formed a combination of ownership; their effort, no doubt, being to escape the law by appealing to that sugar trust decision afterwards. To show the utility of fighting a trust by somebody that can stand it, the city of Atlanta bought pipe from a foundry in Lynchburg at, I think, $16.25 a ton; the lowest bid of any of these companies the previous year having been $22.50—speaking from memory—but that is approximately correct.

I can state also this other fact, that my own mind, as a man and a citizen, has been more or less directed to the subject of municipal ownership. I had the pleasure some years ago of making what, I believe as a matter of memory, was the pioneer public declaration on that subject before a chamber of commerce in this city, advocating public ownership of electric-light plants. In that investigation and the subsequent discussion of it in connection with the city's business, as well as in preparation for an address in Detroit a few years ago, I became strongly persuaded, from reading technical journals on the subject, that there existed among manufacturers of electrical machinery all over the United States a very strong combination, one feature of which was so to put up the price of electrical apparatus and of machinery when it was to be purchased by municipalities as practically to prevent the cities and towns from engaging in that enterprise. I have not seen anything, however, on that subject for the last 2 or 3 years, and I do not know what is now the condition.

Q. (By Senator KYLE.) You think the reason for combinations, then, is for the purpose of putting up prices?—A. Yes.

Q. That is the reason for the formation of trusts generally?—A. Yes.

Q. Is that your observation?—A. Well, it certainly has been in the instances that have come under my observation.

Q. In the case of pipe, the combination resulted in sustaining the price of $22 or $23, and you had a subsequent bid after this decision?—A. Yes; a bid from a company not in this combine.

Q. For $16.50?—A. Yes; $16.25 or $16.50.

SAVINGS BY COMBINATION.

Q. You do not agree, then, with some witnesses on the stand yesterday that the price of oil has fallen as a result of the Standard Oil trust?—A. Well, I think, from having been to some extent a purchaser of that particular article, that oil is cheaper now than it was some years ago, but to what extent that is attributable to the formation of the trust I am not prepared to say. I can not think of anything that would have that tendency except one feature which would bear upon that question by its effect on wages and labor. I should think clearly that the combination in the manufacture and sale of oil would enable the company to discharge a very large number of their people. For instance, if we had 20 or 25 different companies manufacturing and selling oil all over the country, there would have to be a correspondingly greater number of traveling salesmen and agents, and particularly agencies, whereas if all combined under one, everybody who was making a living and getting wages out of the business is discharged. That enables them by that saving to put the prices down.

Q. (By Mr. SMYTH.) Would not the consumer pay the wages of those additional traveling men?—A. Yes, I should think so; that is what I said. That is one means, and the only one I can think of, that would enable a combination to sell an article cheaper—at the cost of loss of business and employment to a very large number of persons. In my own mind I have some doubt as to whether the body politic is sufficiently benefited by the small amount of reduction in many of these articles for the countervailing loss by people being thrown out of employment.

Q. (By Senator KYLE.) One directory can manage a dozen different factories, as well as one for each, having a superintendent for each?—A. Yes.

Q. And save a great deal in officers' salaries as well as in those of traveling men? The question is whether they give the savings to the employees or give the consumer the benefit of the reduction?—A. I do not mean to say the employees get the benefit of it, so far as I know. From what little I have heard about it the wages of the employees who have been retained go on just the same, and while there is some reduction in the price of the article, yet there is also, on account of this contraction of machinery and methods and expenses, a larger net income to the company, which, no doubt, the owners put in their pockets.

Q. Well, if there be a reduction in prices, is not the natural aggregation of capital into the minor organization, minor corporation? There may be a dozen different corporations that form the trust; a dozen different steel corporations. There may be 3 or 4 men in a corporation, in the manufacture of steel, and by the aggregation of capital they are able to use the very best machinery there is in the world and put the price down to the consumer. The question is whether the same advantages arise from the aggregation of these several corporations into a trust, whether there is a further reduction possible under such a combination, and whether such a combination has had the result of lowering the prices?—A. Well, it is very difficult to say. I think that in the advance of civilization, by the enormous improvements in methods, and by new inventions and progress in thought, great reduction in the cost of production would have occurred anyhow.

Q. That had already appeared before the years of trusts?—A. Yes, that began long before trusts began and would go on without trusts, but it is very possible that by the concentrating of energy and effort the movement and the direction of upbuilding is to some extent aided.

Q. As I take it, the old-fashioned corporation has been able to be of much aid, in addition to the improved machinery. Within the past few years the trust has been inaugurated. In your judgment, what is the cause of the organization of the trust? What has fostered this?—A. I want to be understood as speaking with great diffidence on what a lawyer gives as a case of first impression. It has been much discussed in the last few years, and human experience has not yet worked it out to final results; but it seems to me that the fundamental cause of the trusts is what the Scriptures call the "love of money," a desire to get more. Then the fact that by reason of these trusts and combinations there has been such a rapid accumulation of capital into particular hands affords, in my opinion, the chief means by which trusts are created afterwards. I think that the tariff is an adjunct, a help to retain them. This is the principal cause. I think if we did not have any tariff——

Q. (By Senator KYLE, interrupting.) That would be really a cause of the formation of a corporation; that is, before the day of trusts. But suppose a trust is to be formed. Take any little town of a thousand inhabitants, with a dozen meat shops, selling meat very close—cutting one another's throats—so to speak. One man finally figures over the matter with some of the men and says: "Now, this thing ought to

stop; we are all losing money, and we could all make money if we got together here." So the leader gets the rest of them together, and without any books or any stock being issued at all they come to an agreement to advance the price of meat 1 cent a pound, and they all sell at a uniform rate and all live. Now, what is the reason for the formation of that trust? As you said, it was for the purpose of getting more money. Do you think that destroys competition? What was the foundation of it?

Representative LIVINGSTON. That is the same thing, to get more money.

The WITNESS. That would be an instance in which the real motive was good and not hurtful to the public. There would be no ground for criticism of a combination of that kind, except its tendency to be abused.

Q. Here are twenty institutions engaged in the manufacture of iron products; they come to the same difficulties, and all agree to enter into a trust. Is there a reason for that?—A. Well, if it was solely and in good faith a legitimate motive to protect themselves against the destruction of their rights and interests, without too much of grasping purpose, it can not be called a bad movement, I should think; but in that instance there would be a very much greater, and, indeed, it seems to me, a very considerable tendency toward abuse of the power that they might gain from it.

Q. Do you think the prime reason in their minds was love for the people—to see them get their products at lower prices, and all that sort of thing?—A. No, sir; I think that would rarely enter into it.

Q. It is purely a business consideration?—A. Yes, sir.

Q. (By Mr. SMYTH.) Have not we only recently emerged from a condition of great business depression in this country?—A. I think that is a matter of notorious public history.

Q. Was not the cause of that depression largely overcompetition—selling goods too cheap—nobody making money?—A. I would construct it on different lines, according to my view of things. I am very old-fashioned; I am old enough to have been through 3 panics; I was a member of the State legislature of Georgia during the panic of 1857; I was a member of the State Senate during the panic of 1873, and of course, we all witnessed the present panic of 1893. My judgment is that the prime cause of all those panics was in extravagance. I think the people bought too much, went in debt too much, spent too much. They did not keep near enough to the shore, and their feet on the bottom. People who are out of debt and independent and who have got work—you can not curtail them.

Q. The organizers of these trusts claim that with the recent depression caused by undue competition there was no profit in any business, and that by combining and bringing these different interests together, a degree of prosperity has followed. Do you think there is any foundation for that belief or statement?

Representative LIVINGSTON. Before you answer the question, let me make you another suggestion: If it is true that the unlimited competition brought depression to those interested in the selling and fixing of prices, ought there not to have been a corresponding prosperity on the part of the consumer?

The WITNESS. Well, in the nature of things as to real values, when one person loses, another gains. Where we deal in such matters as watered stock and mere speculative values, they are often destroyed in times of panic, and I do not know that it could be said that what one loses of that kind is the enhancement of another—to expect that any substantial loss of one citizen goes to another. But the difficulty about losses during a panic is that usually the land or the property or money of persons who are in debt goes away off yonder somewhere, and the body politic loses it entirely; it goes clear away and never comes back.

Q. (By Mr. SMYTH.) My question was this: If all commodities are being sold without a margin of profit, naturally there is a depression in trade; there is a lowering of wages and curtailment of expenses in all directions. Now, if by a combination of those who control the selling of these different articles, and an agreement as to a general advance in prices all over the country, there comes greater prosperity, greater flowing of money, is that ascribable to the part of those who tried to aid that changed condition? That is the argument followed by the managers of the trusts.—A. Well, if it were true that these trusts have brought back prosperity, then they would be entitled to claim the benefit of it, but I think that is a little like the account I read somewhere about King Charles II, I believe it was. He asked a body of scientists why it was that when you put a live fish into a bowl of water standing on scales it does not increase the weight of the contents of the bowl, but if you put a dead fish in it does do so. Well, it turned out that, whether it was a live fish or a dead fish, it was all the same thing. Now, I do not think the trusts are what have brought prosperity. I think that comes from the recuperative powers and energies of our people. We have made 5, 6, or 8 crops since 1893, and they have gone

into the market, and people have worked and paid their debts, and they are branching out again into another system of investments and ventures. Indeed, in some instances, possibly this would be designated as inflation, and if they go on, by the same process that has always brought on panics, there will come another collapse after awhile, and then we shall have to wait until the people create new values and build up again.

Q. (By Representative LIVINGSTON.) What has been the increase of exports in the United States for the last 6 years?—A. That would be a matter of memory. I have the impression, however, that the export trade was somewhere from 500 to 600 millions at that time, and now it is nearly 1,000 millions. I do not want to be understood as speaking with accuracy.

Q. Now, what has been the decrease of imports in the same time, 6 years?—A. I do not know accurately, but I have in my mind that it is about 300 millions; that is, that the balance of trade in our favor last year was in the neighborhood of 300 millions.

Q. Now, the difference in imports and exports—that is the real wealth of the country, is it not? The balance in favor of consumption is the real wealth?—A. That is the true barometer.

Q. Now, is not that more likely to be the cause of this larger prosperity than anything else?—A. That is what I say. By the annual production of the country—not only agricultural production, but manufacturing production and everything that comes from labor—we have created a wealth since 1893, and have exported it and used it otherwise. It is as you suggest; it manifests itself, doubtless, with more distinctness in exports and imports than in any other way.

Q. I want to ask this question as to trusts. You admit, and the witness who preceded you, that there was an aggregation of power—not only aggregation of capital, but that out of aggregation of capital comes an aggregation of power that can be exerted in any direction you please. Is that a dangerous element in the hands of a corporation?—A. I think it is preeminently so in every way. It is a menace to the political independence of the people, to municipal government, State government, and national government. Its tendency is in a high degree corrupting to the choice of rulers, and after a while will become corrupting, I am afraid, to their conduct.

Q. How can trusts be curtailed or hedged or controlled by State government or National Government? What would you suggest about it?—A. I think in most particulars the remedy lies with the National Government. It is beyond the power of the State government to reach all of the evils. There are some few that I think are within reach of the municipal governments and authorities, possibly more than of the State governments.

PUBLIC OWNERSHIP OF BUSINESS ENTERPRISES.

Q. You mean municipal?—A. Yes, municipal. I am a very warm advocate of municipal ownership of all natural monopolies by our cities and towns.

Q. Does that lead you up to Government ownership?—A. Yes. I think I speak with entire consistency on that subject, for my recollection is that some 15 or 20 years ago I published a letter in the Atlanta Constitution in which I advocated, before any railroad commission was organized, the purchase and ownership by the United States Government of the railroads connecting every State capital in the United States. The announcement was regarded as somewhat advanced and possibly radical at the time, coming from a lifetime Democrat, as I have been since 1844. Now, on subsequent reflection, I do know at that time that it was my idea of it—public ownership of railroads; but it seems to me now it would be wise for the United States Government to make a beginning in the way of owning railroads. It need not undertake to buy all of them—possibly not to buy any of them; but where there is a combination, and Congress finds that the manner in which any particular line is being used is hurtful to the public interest, the Government should turn in and build one.

Q. (By Senator KYLE.) In the case of the sugar trust and oil trust, the Government should turn in and produce sugar and oil?—A. It may be a pioneer declaration on that subject. I am one of the sort of men who think that when a thing is in the way and has got to be done, the way to do is to go at it with energy and mean something.

Q. That will bring us right down to a system of socialism, will it not?—A. No. I candidly admit I have not thought out the full results of the theory on the subject, but it seems to me this way: that Congress might very well try first the methods of regulating trusts that have been dealt with—for instance, an amendment to the Sherman law that would reach the case of combined ownership, as well as of

combination, and then, as suggested by Mr. Spalding, an amendment to deny the right to cross State lines to property of any of these combinations, whether the combination results from ownership or otherwise. If that was not effectual in any particular instance, if the sugar trust were found to be oppressive and people were obliged to pay more for sugar, which is a necessary article of consumption in every home in the United States, from the hovel to the palace—or if there was no other way to do it, it seems to me that the National Government may own sugar refineries and go into the market to manage it. That might require a constitutional amendment, but the Govment ought not to give up the fight. They ought to do anything and everything that is human and just to prevent an abuse.

Q. You believe in individualism, of course, and in liberty of investment, as far as possible?—A. Yes; I believe in the sovereignty of the individual.

Q. You do not advocate the destruction of investment unless it is absolutely necessary to protect the people as a whole?—A. No, sir. A man has a right to his property, providing he does not hurt anybody else with it.

Q. You have not given up hope that Congress will regulate this matter of trusts?—A. No, sir; by no means. But it seems to me that, Congress being such a large body and its members having their time and attention so much absorbed by varied and conflicting interests, coming from all parts of the country, experience shows that it is difficult for them to agree even on the details of a matter, especially where that matter belongs in any great degree to the department of administration. So doubtless it would be wiser to take the subject to a commission, a well-selected and well-organized commission. I can not see how some power vested with legal authority can not arrive at the necessary knowledge in framing a law on the subject.

Q. (By Representative LIVINGSTON.) Go back a moment. You talk about individual sovereignty; that is all yielded and given up in the organization into municipal, or State, or National Government. All that individual sovereignty is gone—it is yielded up?—A. A citizen loses a part of it.

Q. Does not he, as far as the Government is concerned, lose it all, being subject to the State, subject to the municipal, subject to the United States Government. Now, upon that comes the very question of whether the United States Government can to that extent, as you expressed it, yield up sovereignty. Can not the United States Government do anything which is just and fair in protecting him, for the simple reason that he yields to that extent that sovereignty that is embodied in the Government?—A. That is in the power of the Government, but it seems to me they would have to first examine. That power that would otherwise inhere in the Government has been qualified and limited by our written Constitution. Now, our written Constitution was framed long before any of these things were thought of, and it will doubtless be found when Congress comes to frame a law, when it goes down very much into details, that a constitutional amendment will be necessary; but we shall never get these things unless we advocate them, and if in the judgment of Congress the Constitution is in the way of effectual legislation, of legislation that means something, then it seems to me the Constitution might be amended.

Q. What do you suppose is meant by protection to persons and property and life if it is not that very thing, if that is not the essence of it? If it is not in the duty of the Government to protect him to the extent, at least, that he would be able to protect himself if he had not yielded his sovereignty? In other words, what would the individual do with trusts right now if you remove the State, municipal, and United States Government protection?—A. I think that mobs would use very extreme measures.

Q. Now, if the citizen does not do that, restrained by law, is it not the Government's duty to protect him?—A. Well, as I said at the beginning, I came to the stand here without premeditation, and I have not got the Constitution before me, and I do not want to be understood to give too distinct an opinion, because I have no carefully-matured opinion on this point. I would want the most liberal construction of the Constitution that would give to Congress the necessary power to remedy the evil.

Q. Now, is not that the cause and source of all our mobs, lynch laws, and everything else, that the people conclude that they have not got justice, have not got protection, and they get out on their own hook and take the law in their own hands?—A. I want to say with all emphasis that I do not believe that is the prime cause. The knowledge on the part of the person committing rape or other crime that the law is slow and is apt to be ineffectual and to miscarry is at the bottom—the motive that causes people to take the law into their own hands; and it certainly so far paralyzes the efforts of peaceable folks as to prevent the suppression of riots of that sort usually when they come.

LEGAL REMEDIES FOR TRUSTS.

Q. (By Senator KYLE). What is your idea in regard to a remedy for trusts in the way of legislation?—A. Well, I indicated a while ago that I think the only remedy would be for the Government to press these laws you already have, which are excellent as far as they go.

Q. That is the Sherman law?—A. Experience has shown it requires some amendment. Of course, everybody knows the great ability of Mr. Sherman.

Q. It seems drastic, as you read the language?—A. Yes. Now, right there is a place where I strongly suspect that that sort of power which is most dangerous in trusts and combinations manifests itself. It is true it is little more than a surmise; but in the framing of laws like this, that have to go through both houses of any legislative body, I strongly suspect that, in the shaping of the exact phraseology used, it may be there was a design to leave a gap by which so many of these combinations have been able to escape. Of course, the only wise course in cases like that is for Congress to take another rap at it, and level the concentration of the law against the combinations, taking steps to reach the form of combined ownership or combined action between independent corporations.

Q. What do you think of extending the taxing power of the Constitution toward the products of the trusts?—A. Well, I have not studied the constitutional question, as to whether Congress under the existing Constitution has power to tax them. There is a limitation, as you know, that no capitation or direct tax shall be levied except in proportion to the population. Answering that on the spur of the moment, I am afraid of more constitutional trouble there than there would be on the question Colonel Livingston was asking about just now; but if there is a constitutional difficulty, we ought not to stop at that, but the evil being so great, it should be met, if necessary, by constitutional amendment. If Congress has not got power to deal with them by taxation, why, it ought to be taken up by such amendment.

Q. Such a law has been introduced—joint resolution—for amending the Constitution.—A. I think Government ownership is the most hopeful remedy.

Q. But not so important, you think?—A. No, sir. Now, wherever a trust is dependent on getting a higher price for its product by reason of the tariff, the tariff ought to be taken off, unless there is some other reason intervening. I am opposed to all tariff, like any other Democrat, but if we are going to have a tariff at all it ought to be adjusted to get all we can get out of it—everything we can.

Q. You have this remedy right at hand? A. Yes. For instance, I should think in the matter of hardware and cutlery, while I do not care to speak with precision about that, I know that in many articles of hardware there is a trust that controls prices. There is at the same time quite a large tariff on hardware, and a modification of that tariff would doubtless break up that trust. In the case of oil, the question of whether the tariff has anything to do with it, would depend on the prices of oil and petroleum in the markets of the world. If, in point of fact, the American people have to pay more for refined oil than the people of Europe and those who are dependent on other countries—on the fields in the neighborhood of the Black Sea—then there should be a modification of the tariff, if there is a tariff. I speak more of the principle here. It may have a very marked influence in breaking up that trust.

Q. We had the president of the Illinois Steel and Wire Company in Washington, and he said to us that he had been abroad, in Germany and in different countries, for the purpose of forming an international trust in steel products, and that he came within one of effecting the combination. In that case the tariff would have no effect whatever, would it?—A. That would be like many natural monopolies where the tariff does not have any influence. I think then we should have to depend on restrictive laws governing the control and conduct of the combinations, not by the enactment of some policy to beat the law. Now, for instance, this matter of the use of electricity. I do not know that the tariff has any particular influence on that, and yet I am well persuaded in my own mind of one thing—that our Government ought to stop the monopoly of the telegraph and long-distance telephone. To own the telegraph and the telephone I think they ought not necessarily to wait until they own all the lines, but Congress might spend a half million every year and make a beginning, and connect large cities. It will be a tree and it will grow, and the branches will extend year by year, and you will soon have Government telegraph all over the country.

Q. (By Mr. RATCHFORD.) Has it not been the experience of the Government that all work done and paid for by the Government is more costly than when done for private individuals?—A. Well, I am not prepared to say. I have not the figures on that. Take the post-office, for instance; there is no standard by which to make a comparison between that and private individuals.

Q. Take certain branches or lines of work done by the Government in comparison with similar work done by private individuals; what is your judgment of it?—A. I do not think there is any universal rule on the subject. That depends on the management of the particular Government authority.

Q. Another point: If this particular monopoly was dissolved by Congress or some other lawmaking body, is it not a fact that good results would accrue to the people without Government ownership, in the way of cheaper products and accommodations, if the field for competition is open—healthy competition?—A. Well, in the matter of natural monopolies, like the supplying of water or of light to a community, I have practically no faith in competition as a remedy.

Q. Take the sugar trust, for instance. If this practical monopoly—the sugar trust—was dissolved, is it or is it not your opinion that sugar can be manufactured by private individuals and supplied to the people as a whole cheaper than it can be manufactured by the Government?—A. Yes, sir; I should think an article of that kind could.

Q. The evil lies in the practical monopoly?—A. Yes, sir; and I think the public would be so far subserved by breaking up this trust, and that the public could afford to pay a little more to obtain the product than to let the matter go on as it is.

MUNICIPAL OWNERSHIP OF PUBLIC UTILITIES.

Q. Taking up the question of municipal ownership: What was the result of your agitation in Atlanta with reference to that subject? Have your recommendations been adopted?—A. We have in this city what we call a white primary that nominates a ticket for mayor and councilmen—all the officers elected by the people. That primary is participated in by men of all parties. We elect Republicans just as freely as we do Democrats; not so many, because there are not so many of them. A few years ago a gentleman quite prominent as a Republican politician was put on the ticket as a member of the council and some of the younger men undertook to beat him on his politics, and a lot of us single-shotted him and ran him ahead of the ticket. In other words, we go on the theory of electing men for the benefit of the town without reference to their views as to national politics. We regard the management of city affairs as a matter of business. The result of this agitation was that we had a league for municipal ownership. We sent a committee before the city council committee which had charge of this primary, and they were induced to submit the question to the voters at the primary as to whether the city should purchase an electric-light plant. The result of the vote was (as I recall the figures) about 5,300 or 5,400 in favor of the city purchasing an electric-light plant and only about 500 the other way. They went on and elected a ticket—mayor and council—but there has been little or nothing done about purchasing the electric-light plant.

Q. Does the city own its waterworks plant?—A. Yes, sir. Allow me to finish my answer. Why it is—what influence has been brought to bear—so that, although the popular mandate was given in favor of the city owning the electric-light plant, in point of fact nothing was done—that is a problem I am unable to solve.

Q. You say the city owns its own waterworks?—A. Yes.

Q. How long?—A. Ever since its inception in 1874.

Q. How do the service and prices compare with other cities where it is owned by a corporation?—A. We get water from the Chattahoochee River, 7 miles off. It is pumped out first into a reservoir in the edge of the city, holding about twenty days' supply. There it is filtered, and by another system of pumps pumped into the city and furnished to consumers at a cost of about $1\frac{1}{16}$ cents per 1,000 gallons per 100 feet of elevation—five and a fraction for the entire elevation, the Chattahoochee River being (when you count the necessity for pressure to get into the houses) about 500 feet below the city datum water service—$5\frac{1}{2}$, that is practically it. We furnish that water clear, absolutely wholesome, to the people at the rate of 60 cents per month for each service. That is the minimum rate, allowing 6,000 gallons to the family. There are out of 8,000 services only between 300 and 400 homes per month that use more than the 6,000 gallons. So you may say, with practical uniformity the rate is 60 cents per month. The bills are rendered at 80 cents, but a discount of 25 per cent is allowed for prompt payment. I think you will find, by a comparison of rates in Macon, Columbus, Montgomery, Memphis, Nashville, and Chattanooga, that the cost to the consumer is in every instance twice as much as we furnish it for, and in some instances as high as three times as much, with the addition that in the case of these other cities they are located, I believe, down on the river banks and none of them have to pump the water up more than 200 feet. We have to pump it 3 times as high. Now, all of these cities are furnished by private companies, with the possible exception of Nashville. I examined a few days ago the waterworks in Memphis

and Columbus. I have not visited those in Macon. Knoxville is another place where they have a private company.

Q. Does your city own its own street-car system?—A. No, sir.

Q. Do you think it should own it?—A. I do. Our water plant, being owned by the city, is enabled to promote the prosperity of the city by giving a special rate to manufacturers; that is, a sliding scale, which approximates the actual cost of pumping. Then, on public occasions—when we had an exposition here a few years ago we furnished an 80,000,000-gallon lake at the exposition grounds and furnished water for that enormous enterprise, lasting two or three months, free.

Q. What is the special charge to manufacturers, approximately?—A. I should not like to undertake to give those figures from memory, because it is a sliding scale; but to a large factory, such as that over which Governor Bullock presides, and 3 or 4 others in the city, and railroads, I think it approximates 5½ cents per 1,000 gallons.

Q. And that is about the cost, is it?—A. Yes.

Q. Then it seems that the city has made some profit from its general consumers in the water supplied?—A. Yes, sir; there is a reasonable profit, but that profit, I think, would be shown, as compared with what these private companies make, counting for use in schools and for free consumers' use, to be not one-half and probably not one-third what they would otherwise have to pay.

Q. What becomes of that profit?—A. It is put into the general treasury of the city, and is regarded in the city scheme of financing and our records as in the nature of a sinking fund to pay for and absorb the bonds which the city issued when we built the works. In the course of 20 years' operation the last report shows that the small modicum of profit which we charge the public has been so managed that while the city has spent and paid out about $2,300,000 in the waterworks, including everything—cost of plant, interest paid, and bonds issued, balancing against that the annual income, as well as allowing a fair compensation for the value of the public service rendered, some 1,300 fire hydrants, for instance, flushing streets, and 40 or 50 free drinking hydrants and places where the poor people can draw water with which to do their washing—the city only lacks about $630,000 of having got back all the money she invested in it; but she could sell the plant to-day, at the least estimate, for $3,000,000, and with present improved conditions any financier in Atlanta would tell you that the plant was worth $4,000,000—enough to pay every dollar of debt the city owes.

As a remedy for natural monopolies I do not have very much faith in competition. We have a further practical experience on this subject. Our gas plant in Atlanta is owned by a private company. A few years ago another company came in and applied for and obtained a franchise to lay gas mains and supply gas to the public. In the face of some opposition a charter and franchise was granted to them, and they spent a couple of hundred thousand dollars in laying gas mains and building a gasometer in which the gas is accumulated—some $200,000 invested in a plant. In a little while some trade or arrangement was made between these two companies by which the old company became the owner of the plant and assets of the new one. The general impression was at the time, and is yet, I believe, that after the combination they were recapitalized at a large increase of capital, and the public, of course, is burdened with paying the interest on the combined capital. That seems to be the inevitable result in cases like that of furnishing light, and in the case of telephones it is the same thing.

Q. (By Senator KYLE.) What do you pay for gas?—A. One dollar a thousand.

Q. You have the most approved plant, have you?—A. Yes, sir; there is no fault found, so far as I know, with the quality of the gas.

Q. (By (Mr. SMYTH.) Is it water or coal gas?—A. Coal gas. I have often seen them filling the furnace with coal.

Q. It is what is called water gas, but they use coal?—A. This new company was going to put in a water-gas plant.

Q. (By Mr. RATCHFORD.) Have you approximated the price of gas under municipal ownership?—A. My attention was directed more to that of electric lights, but I had the impression that in cases like Pittsburg, and possibly some others, gas is furnished as low as 30 or 40 cents. Am I right in that?

Q. I think not.—A. I have seen the statement made that in England, where coal is higher than in the United States, gas is furnished as low as 50 cents, and our coal in Atlanta is not very high. We have bought coal for years for the waterworks at from $1.70 to $1.80 a ton.

In our waterworks we furnish 6,000 gallons for 60 cents—10 cents a thousand gallons. We have the minimum rate for this reason: It was thought that it was better for the household that they should use enough water and not be too economical. We fixed the minimum rate at 60 cents because we thought 6,000 gallons was plenty

to flush the closets and keep all things in a clean condition so as not to be a menace to health. We started out on the other policy and a boarding house only used 300 gallons of water in one month. There was a complaint made, and the result was this other policy was adopted, doing away with the motive to economize.

Q. You say the cost is 10 cents a thousand gallons?—A. Yes; that is what it comes to practically. The bill is rendered at 80 cents for the month, which means 6,000 gallons. The consumer can use as much of it as he pleases; but with a discount of 25 per cent for prompt payment it is really 60 cents, or 10 cents per 1,000 gallons.

Q. (By Senator KYLE). Are there any further suggestions you have to make along this line?—A. Nothing occurs to me.

(Testimony closed.)

WASHINGTON, D. C., *February 20, 1900.*

TESTIMONY OF MR. LUCIEN V. LA TASTE,

President Traveling Men's Protective Association, Montgomery, Ala.

The commission met at 3.20 p. m., Vice-Chairman Phillips presiding. Mr. Lucien V. La Taste, president of the Traveling Men's Protective Association, Montgomery, Ala., being duly sworn, testified as follows:

Q. (By Mr. JENKS.) Will you be kind enough to give your full name and address to the commission?—A. Lucien V. La Taste.

Q. And your address?—A. Montgomery, Ala.

TRAVELERS' PROTECTIVE ASSOCIATION.

Q. In what way are you officially connected with traveling men's associations?—A. I am national president of the Travelers' Protective Association of America.

Q. Where are the headquarters of this association?—A. St. Louis.

Q. What is your membership?—A. The membership on the first day of this month was 14,645.

Q. About how long have you held this position at the head of the organization?—A. Since the 1st of last July.

Q. Would you be kind enough to explain to the commission the nature of this organization and its purposes?—A. Perhaps section 2, article 1, of our constitution, would give you a clearer idea as to our purposes. I will read it:

"The objects of this association are to bring about a better acquaintance of persons engaged as commercial travelers, for the abolishment of all local, State, and county licenses exacted from commercial travelers, to secure reduction of passenger rates to commercial travelers on all lines of transportation, to obtain a fair and equitable allowance of baggage, to secure hotel accommodations commensurate with the prices paid, to elevate the social and moral character of commercial travelers as a profession, and to provide a benefit fund for members of the association in case of accident or death, and also to take interest in such matters as pertain to the welfare of commercial travelers of America."

Those are the purposes for which the organization was formed.

Q. How long has this organization been in existence?—A. We were organized in June, 1890.

Q. The purposes of the organization, as brought out there, seem to be confined entirely to looking after the welfare of the commercial travelers themselves. Has your organization, as such, taken any active part in securing national or State legislation on matters of general interest that do not concern traveling men as such?—A. Our purpose has been always to take cognizance especially of matters bearing on the interest of traveling men and others who might be members of the organization, our membership not being restricted to traveling men.

Q. Who else may become members of the organization, besides the traveling men themselves?—A. Wholesale dealers, importers, manufacturers, commission merchants, and their buyers and sellers.

Q. So your organization includes traveling men and their employers?—A. Yes.

Q. (By Mr. KENNEDY.) What proportion are actually traveling men?—A. It would be difficult to state. The proportion of nontravelers is relatively small, the organization being controlled almost exclusively by traveling men.

Q. (By Mr. JENKS.) You can not make any statement to the effect that the nontravelers form not over 20 per cent, or anything of that kind?—A. Any statement I might make of that character would be purely a matter of guesswork.

Q. You have not data enough to give an estimate?—A. No; I think I should be speaking well within bounds if I should say that 75 per cent or 80 per cent of our membership are traveling men.

ANTI-TRUST RESOLUTIONS.

Q. Has your organization, as an organization, taken any position at all on this question of the organization of industrial combinations, expressing any opinion at all in an official way?—A. Nothing, except some slight consideration which was given the matter at our last national convention, held at Louisville, Ky., in May of last year.

Q. Will you be kind enough to explain to us what was done at that time; what the position was?—A. I have the minutes of our convention with me, and lest I make an inaccurate statement, I should prefer to give you the minutes.

Mr. JENKS. We shall be glad to have you, if you will read them.

The WITNESS. That portion of the minutes is not very voluminous. If you please, I will give you first a resolution which was reported favorably by our committee on resolutions. It reads as follows:

"Whereas the absorption of the wealth of the land by the few, the consolidation of the leading business industries, the formation of trusts and pools, in all profitable and legitimate enterprises throughout the nation, threatens the occupation of the traveling man, assuring ultimately his elimination from the commercial world: Therefore, be it

"*Resolved by the Travelers' Protective Association in national convention assembled*, That we pledge ourselves unreservedly to the extermination of these evils; and that to attain this end we will use every effort and endeavor in our power, severally and collectively, to secure the enactment and enforcement of vigorous and effective 'antitrust' legislation, both State and national."

Q. (By Mr. CONGER.) Was that resolution adopted?—A. No, sir; that was the resolution reported by the committee on resolutions.

Q. (By Mr. JENKS.) You have the record further to explain what was done about it?—A. Yes; there was a motion made that the resolution be adopted—by way of parenthesis, gentlemen, there were some little details with reference to parliamentary law, which I will omit, as they do not bear on the question at all.

(Witness continues reading minutes.)

"The CHAIR. It has been moved that the resolution be adopted. Are you ready for the question?

"Mr. JOHNSON, of Pennsylvania. I call for a vote by States.

"Mr. BURROWS, of Illinois. Would it be in order to call for any other resolutions along that line that were before the committee?

"The CHAIR. Well, we are under the head of the report of the committee on resolutions.

"Mr. BURROWS. Would it be in order to call up another resolution of that same character that went before the committee?

"The CHAIR. There is a motion before the house at the present time, and other resolutions could be offered as a substitute for this one. It has been moved and regularly seconded that this——

"Mr. BURROWS. I move that you have the other resolutions called up.

"The CHAIR. The convention has no knowledge of any other resolutions being in existence, and unless you offer a resolution as a substitute, this stands before the convention.

"Mr. BURROWS. Are these resolutions in the hands of the convention?

"The CHAIR. This one resolution is in the hands of the convention.

"Mr. BURROWS. Has the convention any power to call up the resolution which is in the committee?

"The CHAIR. If the gentleman rose to a point of information, he may ask the committee if they have in their hands such a resolution.

"Mr. BURROWS. I would like to ask the chairman of the committee if he has any resolutions other than that one.

"Mr. ABRAMS, of Missouri. I will state for the information of the gentleman that we have no other resolution bearing on that subject.

"Mr. WEISS, of Alabama. I move that we go into executive session to consider this.

"Mr. MCDONALD, of Missouri. May I ask the chair to read that resolution over again?

"The CHAIR. Yes; you have the right to have it read again.

"Mr. WEISS. I believe I am as bitterly opposed to 'trusts' as any member of this organization, but we must bear in mind that we have a great many men connected

with our organization that are in the employ of 'trusts,' and we must do nothing whatever to jeopardize their interests, and in order to discuss this matter fully and freely is the object of my motion that we go into executive session.

"The CHAIR. It has been moved that we go into executive session. [Seconded, and cries of 'No!'] Are you ready for the question? All in favor will signify by saying aye; contrary, no. The noes seem to have it; the noes have it, and it is so ordered.

"Mr. McDONALD, of Missouri. I rise to a point of information in regard to the reading of this, and to say that there was a request made of this convention for the consent to offer a resolution that had been prepared, and it was asked that that resolution be handed to the committee on resolutions."

(McDonald is referring to another resolution that they are trying to get at.)

"The resolution that was handed to the committee was not the resolution that has been read right here, and I would like to ask if there is any resolution besides that handed in—if that is the only resolution you have?

"Mr. ABRAMS. The only resolution we have.

"Mr. McCULLOUGH, of Missouri. I can satisfy Mr. McDonald and Mr. Burrows, of Illinois, in regard to this resolution. The resolution that was presented here was drawn by me and presented to Mr. Phalen. Mr. Phalen, Mr. Lee, and I talked over that resolution and modified it to some extent. To-day Mr. Lee came to me and said it was understood that that resolution was to be withdrawn, and then the other one—the first one—put in place of it. That is the reason I wanted to make this explanation.

"Mr. BURROWS. Which other resolution was put in place of it?

"Mr. McCULLOUGH. This was withdrawn in favor of the first one.

"Mr. BURROWS. I had already requested what that other was. Mr. Phalen informed me that that resolution was to come up. That is the reason I asked the question.

"Mr. McCULLOUGH. Mr. Phalen did not so inform me about it.

"Mr. BURROWS. As I understand it, they have got the consent of this convention to present that resolution to this convention. I should like to know what became of it.

"Mr. McCULLOUGH. I have it. Here it is. That is all I have to say.

"Mr. BURROWS. May I have the resolution?—A. Yes. It was through Mr. Lee, Mr. Phalen, and I that this resolution was drawn up, and my understanding was that this resolution should be withdrawn and the other presented.

"Mr. BURROWS. I want this read by the reading clerk [indicating resolution handed him by Mr. McCullough], and move it as a substitute for the resolution handed in here."

SUBSTITUTE RESOLUTION.

Here is the resolution:

"Whereas the consolidation of large mercantile and manufacturing interests into what is generally known as 'trusts' is regarded by this convention as detrimental to the material interests of a large number of its members; and

"Whereas while it is understood that some of these large business organizations are the legitimate results of the application of economics to modern conditions, and therefore improperly classified with 'trusts,' we can not but recognize that many of the colossal aggregations of capital recently organized threaten the very existence of the commercial traveler and the stability of the commercial interests of this country: Therefore,

"*Be it resolved*, That it is the sentiment of this convention that such State and national legislation should be enacted as would place such limitations and restrictions upon the operations of trusts and combinations as may protect and safeguard the interests of all our people.

"Mr. BURROWS, of Illinois. I move that as a substitute to the original. Seconded.

"The CHAIR. Mr. Burrows, of Illinois, offers the resolution just read as a substitute for the one first read by the reading clerk. Are you ready for the question?"

Then he turns over the chair to the vice-president, and there is a debate with reference to a parliamentary point. The president then turns over the chair to the vice-president, and opposes the modified resolution in favor of the passage of the more drastic one which was presented by the committee; then

"Mr. McDONALD, of Missouri. In answer to our worthy president, I will state"——

(If you will pardon me at present, the president at that time was Mr. Charles R. Duffin, of Indiana.)

"In answer to our worthy president, I will state that we have been told by a number of gentlemen here that such a resolution was coming up before this body—I say

this first resolution. There are only two things mentioned in the resolution, if my recollection serves me right—trusts and traveling men. The point that we were making in the second resolution (which we expect to have amended, cut all to pieces, and all that sort of thing) was to present and consider a legitimate business communication to the people of the world, and, as far as we could, to consider all the people in this thing. To explain my point: You can take the tobacco business. For instance, in St. Louis, there have been four large concerns consolidated, and in each one of these concerns they have had a very high-priced man who represented them in each State—as I understand it, 8. Each one of these representatives for these 8 States had a number of men working under him, who practically went around to see how the tobacco was selling, sticking up signs, and all that sort of thing, at a nominal salary. These men have practically lost their positions, and there are these 4 tobacco factories (Mr. Lee, of Missouri, says 6)—if they haven't already, they will consolidate—have consolidated the tobacco. They have their general offices in New York City, necessitating the discharge of an immense office force in St. Louis. Consolidating the factories and reducing the expenses has reduced the operating force to the number of thousands of men, women, and children, and we have thought in going before the world in this matter that the proper way to do it was to present a strong, dignified, and an intelligent resolution which embraced the whole country, not traveling men alone; and therefore that is why the resolution that we ask you to vote on as an amendment to the first was offered.

"President DUFFIN. As the gentleman rose to answer me, I have the privilege of just a few words. I do not want Mr. Burrows to yield the floor, but this is a traveling men's association, and we are not looking after the welfare of all the world; when we attend to our own business, we have plenty to do.

"Mr. BURROWS, of Illinois. I wish to state my answer in regard to that resolution before this convention. I promised Mr. Phalen before he left here that I would see that this resolution was presented before the convention. I heartily agree with the gentleman from Indiana. He informed me that he was oppôsed to any action being taken in regard to trusts upon this floor. In talking with the delegates, I realized the fact that something of that kind was to come before this convention, and I talked with a number of other delegates present who thought that if we should have it passed that we should at least put a little dignity in. I do not see what objection any man can see against the second resolution. Mr. Duffin certainly realizes that there are a number of business concerns in this country that have consolidated which are not 'trusts' in that sense of the word. They have had to organize as a matter of self-preservation. We will take, for instance, the shipbuilders' trust, as they call it, or combination. These people were compelled to organize in order to get out of the clutches of the steel trust. There are many other business organizations in this country whom the trusts have compelled to form themselves into what we perhaps might call a 'trust,' but, nevertheless, it was a matter of self-preservation to these business organizations; and I do not think that when a body of business men go in together to fight a trust that they should be termed as 'trusts' in that sense of the word. I do not think it is fair, and I do not think it is right, and I do not see what objection any man can take to the remarks along that line in that resolution. It certainly speaks against the trusts as trusts. It is as strong as the other resolution, and I do not see why they object, for the life of me. I would like to see both these resolutions voted down, as far as I am concerned individually.

"Mr. SMITH, of Missouri. I am strongly opposed to trusts. At the same time I am not prepared to go back to my employer antagonizing his interests. We have thousands of traveling men in the ranks of the T. P. A. that are employed by the so-called 'trust,' and I say to you, gentlemen, that if we go on record as opposing trusts, doing all in our power to eliminate them, these gentlemen are going to receive a 'tip' to withdraw their membership from the Travelers' Protective Association. I do not believe we can afford to antagonize the men that pay you and me a salary. I believe we should take action on neither of these lines.

"Mr. SCHROEDER, of Wisconsin. During the reading of these resolutions Wisconsin has sat here silently—never opened her mouth, made no motion, or had any proposition to offer; but if this question comes up, I know that I voice the sentiment of the delegation from Wisconsin that it is a very delicate subject for us traveling men to handle. I hardly know how to better express the sentiment of our delegation, and I know if the T. P. A. adopt any resolution, and the firm that I represent will hear of it—and the firm that I represent is a branch of a so-called 'trust'—I know that I will be informed, 'What business have you among those? Ain't we paying you liberally for your services? Isn't that a thing for the political parties to take care of, and not for the fraternal organizations?' Therefore, gentlemen, as our worthy chaplain has said, I say, keep out of politics. This is a political question, and we are a fraternal institution, and therefore, gentlemen, keep your hands off of it.

"Mr. LIGHTFOOT, of Indiana. Mr. Chairman and gentlemen: The gentleman from Indiana, speaking a few moments ago, said that this was a convention of traveling men transacting their own business. He is mistaken. This is a convention of traveling men, jobbers, manufacturers, wholesale dealers, from all over the country. Quite a number of members of this organization are members of a so-called 'trust.' Quite a number of the members of our organization travel for these so-called 'trusts,' and in passing this resolution, as the gentleman said before, you jeopardize the positions of quite a number of our members. Therefore I move you, sir, that we lay both of these resolutions upon the table."

(Then there is a point of order raised which is not material. They talk over parliamentary law for a while.)

"Mr. BURROWS. I wish to place myself right before this convention. I do not wish to be disagreeable upon the matter, but I merely call for a reading of this ruling. The Chair ruled yesterday that a motion to lay upon the table was debatable, which I do not believe, and I call for a ruling. I do not find anything to sustain the ruling, and the gentleman who is in the chair at the present time rules that the motion to lay upon the table is not debatable, and I do not believe that the gentleman from Alabama——

"The CHAIR. All those in favor of tabling both resolutions will signify by saying 'aye;' contrary, 'no.' The ayes have it."

That ended the antitrust resolutions.

STATEMENTS OF MR. DOWE.

Q. (By Mr. JENKS.) Are those resolutions that you have been reading about here those that are referred to by Mr. Dowe in his testimony before this commission?—A. Yes.[1]

Q. Have you any comment to make upon what he said about that further?

Q. (By Mr. KENNEDY.) Was it a unanimous vote by which they were defeated?—A. I do not recall just what the vote was. I was in the hall at the time and voted to table the resolutions. The vote must have been a very decisive one, because there was no demand for a division. You will see there were but 4 or 5 members of the convention that took any part in the discussion. This action was taken rather late, on the last day of the session.

I do not know that there is anything I care to say with reference to the statement of Mr. Dowe. With reference to that action I know that he states he got in at the eleventh hour and took no part in the convention except by courtesy; he was accorded the courtesies of the floor for 10 minutes. By reading the minutes of the convention I see that he had very little to say. He makes some statements in his testimony which reflect in some measure on the Travelers' Protective Association. He quotes that as an insurance organization, and as a matter of fact the insurance feature is secondary; it is the last thing mentioned in the declaration on which our charter is based, and the last work mentioned in the constitutional clause setting forth the purposes for which we were organized.

COMMERCIAL TRAVELERS' ORGANIZATIONS.

Q. (By Mr. A. L. HARRIS.) Are you incorporated?—A. Yes; under the laws of the State of Missouri.

Q. (By Mr. KENNEDY.) Before you leave Mr. Dowe—you say your organization has a membership of 14,645?—A. 14,645 on the 1st day of February. Approximately 15,000 now.

Q. What is the membership of Mr. Dowe's organization of which he spoke before this commission?—A. I do not know, sir.

Q. Is it smaller than 1,200?—A. I do not know, sir.

Q. (By Mr. FARQUHAR.) Do you know when it was organized?—A. I do not.

Q. Did you ever see any constitution or by-laws or anything of that institution of Mr. Dowe's?—A. I do not recall ever having seen anything of the kind. I have a vague recollection of having received on one or two occasions some printed matter with Mr. Dowe's name on it, but just what the nature of it was I do not recall.

Q. (By Mr. KENNEDY.) Now, this other question——

The WITNESS. Pardon me one moment. I say I know nothing as to the membership of the organization which Mr. Dowe is connected with. I have seen no information on that subject except what is shown in his testimony.

Q. Mr. Dowe's testimony before this commission, as I remember it, was to the effect that the membership of his organization was made up from the cream of the

[1] See Report of the Industrial Commission, vol. 1, Testimony, p. 26.

other organizations, and that their object was to influence legislation, I believe. Can you state whether the standing of the men of his organization is any higher than that of the men generally in traveling men's associations?—A. I can not, sir.

Q. You have no opinion on the subject?—A. None whatever, except such opinion as I have gained from reading Mr. Dowe's testimony.

Q. What is that?—A. Well, if you please, I believe I would rather not state it.

Q. (By Mr. FARQUHAR.) Could you now state to the commission how many organizations of traveling men there are in this country; well-recognized organizations? (No response.)

Q. (By Mr. KENNEDY.) Put down the membership as far as you can.—A. I do not know that I could, sir. My own organization—the one with which I am connected—has a membership of approximately 15,000. There is another organization at Utica that has, according to my best information, about 2,000. There is another——

Q. (Interrupting.) The Utica one is a good deal of an insurance organization?—A. As I understand it, it is exclusively accident insurance; not general insurance, but accident.

Q. (By Mr. PHILLIPS.) Do you know the name of it?—A. My recollection is that it is The Commercial Travelers' Mutual Benefit Association; it seems to me that is the title. I know the headquarters are at Utica. There is another in Iowa, known as the Iowa State. The membership of that, I believe, is about 11,000. Then there are a number of other smaller organizations. There is one in Kansas or Nebraska; one or two in Illinois. There is the Western Commercial Travelers' Association of Missouri; that is a life insurance organization; and a number of others, smaller.

TRAVELERS' PROTECTIVE ASSOCIATION.

Q. (By Mr. KENNEDY.) Is there not one that has a membership of about 30,000?—A. None that I know of. Now, the purposes for which these various associations are organized are by no means identical. I know of but one national organization, and that is the Travelers' Protective Association of America, with which I am connected. I say that it is the only national association, because we have State organizations. We have first the national association; then we have what are known as State divisions, organized in 30 States, and then the local posts, as we know them. Each State has one or more posts, and the national organization is made up of the members from the several States.

Q. (By Mr. RATCHFORD.) Do I understand you to state that your organization is incorporated under the laws of New York?—A. Missouri.

Q. How long have you been incorporated?—A. We incorporated June 7, 1890.

Q. Do you find it advantageous to be so incorporated?—A. Yes.

Q. Will you kindly explain the advantages of it?

The WITNESS. Of incorporation?

Mr. RATCHFORD. Yes.

A. The only advantage that I know of accruing from incorporation is the fact that it gives us an individuality—gives us standing that otherwise we could not have.

Q. Is that all?—A. That is all.

Q. (By Mr. FARQUHAR.) Does your incorporation safeguard the funds of your association?—A. Naturally so. That is included in my answer.

Q. (By Mr. KENNEDY.) Can you state approximately the total number of traveling men in the United States?

Q. (By Mr. RATCHFORD, interrupting.) Before we leave the question of incorporation. Do not the articles of incorportation make your organization liable in every case for the action of the members?—A. Yes.

Q. Have you experienced any trouble in that direction?—A. No, sir.

Q. (By Mr. KENNEDY.) Can you state approximately the number of traveling men in the United States?—A. I can not, sir. There are all sorts of estimates, none of which I regard as entirely reliable.

Q. Is Mr. Dowe's estimate of 360,000, I believe, correct?—A. That strikes me as being rather excessive; but there is no way of ascertaining with any degree of definiteness what the number is. I should say, from my general knowledge of the business, that from 200,000 to 250,000 would be a conservative estimate.

Q. (By Mr. FARQUHAR.) The census report of 1890 shows less than 60,000 in the whole United States.—A. I notice that Mr. Dowe quotes from the census. I have not consulted the census figures. I should regard that as an extremely low figure.

Q. (By Mr. KENNEDY.) Is your organization increasing in membership?—A. Yes.

Q. Can you state what the membership was, say, 3 years ago, 2 years ago, 1 year ago, and to-day?—A. Yes; I can give it to you from 1890 up to last year, if you wish it.

Q. Well, do that, please.—A. Very well. Our membership June 1, 1891, was

1,139; the same date in 1892, 1,980; in 1893, 3,945; 1894, 7,052; 1895, 10,538; 1896, 11,090; 1897, 11,503; 1898, 13,150; 1899, 14,126.

Q. Now, are the members of your organization generally employed, and do they keep their dues well paid up at the present time?—A. Yes.

EFFECTS OF TRUSTS ON COMMERCIAL TRAVELERS.

Q. Then the industrial combinations are not affecting the traveling men with whom you are associated?

The WITNESS. You conclude that from the fact that we are growing?

Q. (By Mr. KENNEDY.) Growing; are able to keep the dues paid up and are employed.—A. Without taking the responsibility of making that statement, I suggest that might be proof to the contrary.

Q. State how it might be proof to the contrary.—A. It might be that traveling men, with the hope of strengthening themselves in their business, would go into the Travelers' Protective Association. Then you must remember that our membership is not composed exclusively of traveling men.

Q. No; you made a statement of that, and you said you thought about 80 per cent were traveling men.—A. If that were true with reference to the Travelers' Protective Association, we might conclude also, pursuing the same line of argument, that the recent formation of the Federation of Labor in the city of Montgomery, Ala., was proof that the laborers of that town were flourishing. They say they were organized because they were not flourishing, and with a view to protecting themselves, as I just suggested.

Q. Have you any knowledge that such motives are leading the people to go into your organization; that that, rather than real prosperity among them, is what brings them into the organization?—A. I can not say that I have any definite information in that regard; nothing that would be material.

Q. (By Mr. FARQUHAR). Have you any knowledge of your own members losing their positions through these combinations, and how many?—A. We have no statistics on that subject, sir. In fact, the only action that our organization has ever taken as an organization is embodied in the extract I have given you from our minutes.

Q. In your observation as a traveling man, do you know of lay-offs or discharges of a greater number of traveling men than there were before these combinations occurred?—A. I have no personal knowledge along that line.

Q. (By Mr. JENKS.) Have you any information with reference to the discharge of traveling men—individual cases—where their discharge was brought about apparently by the formation of organizations?—A. There is but one instance that occurs to me at this moment, and that is of the combination between three baking-powder manufacturers, the Royal, Cleveland, and Price, I believe. I was told by a traveling man, who is now in the employ of the new company, that prior to the organization of the new company the three houses had 100 traveling men, and that immediately or very soon after the formation of the baking-powder combination, or whatever you choose to call it, 64 were discharged. They retained 36 men.

Q. That is one instance?—A. That is the only one that occurs to me. Of course, I have heard the general talk about the tobacco combination and others, perhaps, but this is the only definite statement that has ever been made to me on the subject.

Q. Have you had any information with reference to the lowering of the wages of traveling men by the combinations, owing to the fact that perhaps having more nearly a monopoly of the product, they did not require men of quite so high a degree of skill as salesmen?—A. No; possibly because we have made no investigation on that line. Perhaps I ought to state to the commission that we have made no investigation of this character at all. I am here to-day in obedience to an invitation from this commission and under instructions from my national board of directors simply to reply to any questions that may be put to me and to give you such information as I may have. As I have stated, we have never made any investigation along this line, our work having been directly in other lines, with reference to hotel accommodations, interchangeable mileage, and legislative matters bearing on other subjects. The bill just now pending in Congress, by the way, for the creation of a new office, that of secretary of commerce, originated with the Travelers' Protective Association.

Q. Are you, yourself, of the opinion that this subject is one of such significance for your organization that it would care to make any investigation among its own members with reference to the matter, and report to the commission?—A. I think I can say with perfect safety that the Travelers' Protective Association would not only be willing but glad to do anything in that line that it could, and assist in the work. Our chief ambition has been, and is to-day, to count for something in the commercial world. We want the Travelers' Protective Association to be known first of all as a

reliable organization of conservative business men. For that reason we have been criticised in some quarters because we have declined to make as much noise as our membership and influence entitled us to. We have sought to obtain our desires in certain lines by appealing to men's reason and sense of justice rather than to frighten them by beating drums and blowing horns. If it is the desire of the commission that we take up that work, I should feel safe in saying that our board of directors, or the association which meets in annual convention in New Orleans on the 22d of May, would be willing to render any assistance of that kind that it could.

Q. I feel very sure that the commission would be glad to have me ask you to take that matter up and get such information as you can that you know is trustworthy, and send it to the commission as soon as you can report.—A. Our national board of directors is the governing body of our organization. I am here under their instructions. It might be better to take that matter up with the national convention. However, that would be a matter of detail that we could dispose of.

Mr. Phillips. If your board will take it up and so report.

The Witness. Now, gentlemen, I want you to understand clearly what we are. We were organized for the purpose indicated in our constitution, and we have tried zealously to have our actions conform to the spirit of the law under which we exist. We have been repeatedly importuned to join hands with other organizations and with individuals, with a view to coercing railroad companies, and so on. We have persistently refused to do anything of that kind.

Q. (By Mr. Kennedy.) Have you taken any action on the antiscalper ticket-brokerage question, on either side?—A. That matter came up for consideration at our annual convention at Nashville in 1897. I have forgotten just what the character of the action was, but my impression is that there was a resolution introduced condemning the proposed legislation, and that that resolution passed. I would not be positive in reference to that. I think, however, that there will be some difficulty in ascertaining just what the sentiment of our membership is on that subject. We are divided, of course, as other organizations are. I do not recollect just what action was taken at that time. I was going to say, by way of illustration, that we have won interchangeable mileage. Instead of making and passing resolutions condemning railroads and having them published in the papers, we have a regularly organized railroad committee—national, State, and local. All of our work of that character has been done through our national committee. By pursuing a straightforward, honorable, conservative, and reasonable method we have succeeded in securing interchangeable mileage, after about 6 or 7 years' work, over something more than 78,000 miles of railway. That includes the Western, the Central, and Southwestern Passenger Associations' territory. We very frequently get letters, scathing letters, condemning us because we do not howl after the Southeastern Passenger Association. We are continually at work reasoning with them, seeking to get them to concede what we think is a reasonable request, and, by the way, what I think they regard now as a reasonable request; but we have thought proper to pursue conservative and reasonable methods, believing that men can be reached in that way very much more easily than by howling.

Q. (By Mr. Jenks.) You will, then, be kind enough to take this matter up with your board of directors and see if you can make some report to the commission as soon as you have investigated thoroughly the sentiment among your members.—A. I will do so, sir. If the commission will kindly indicate by a series of questions, if it is practicable, just about what you would like, I think I could say with perfect confidence that the board of directors will be glad to take the matter up and make whatever investigation they can.

Mr. Phillips. The questions will be furnished you for doing it.

The Witness. Thank you, sir. I think I can say that the board will be entirely willing to do that.

FEELING OF TRAVELING MEN TOWARD TRUSTS.

Q. (By Mr. Jenks). May I ask further whether from your personal association with traveling men you have been able to form any opinion as to the general sentiment on this question of industrial combinations; as to whether on the whole they have been an evil for the country, or otherwise?—A. I believe that they are almost unanimously of opinion that the formation of trade combinations, by whatever name they may be called, is inimical not only to the interests of traveling men, but to the entire interest of the country. Not every man with whom I come in contact has a clearly defined idea as to what might be the outcome, but there is that indefinite, vague sentiment of fear that something dreadful may happen. If you have ever seen a horse that was hoodwinked—a locomotive comes near him and you will see

that tremor that comes over him, indicating a fear of something, he knows not what. I have seen it repeatedly. That comes nearer to describing the general sentiment of traveling men on this subject than any figure or illustration I recall.

Q. You do not think, then, they have clearly defined reasons in their own minds for their fear?—A. Not as a general rule. I do not believe, to illustrate, that the action of the Travelers' Protective Association in tabling those resolutions which I have read, indicates the sentiment of the Travelers' Protective Association. I believe if you were to take every delegate who was in that hall at the time—there were something like 205 delegates at the convention; I do not know just how many were in the hall when this matter was considered—I do not believe if you should take each one of these men and ask him whether he believes trade combinations are beneficial or otherwise, that he would hesitate to say they are not.

Q. (By Mr. Kennedy.) And would not be able to give a reason for his fear?—A. Possibly so; that is frequently the case.

Q. (By Mr. Jenks.) When there are reasons given, what are the main reasons suggested?—A. That they result first in depriving men—traveling men—of their means of support; that where they fail to deprive men of their means of support, they reduce them to such a state of uncertainty that they do not know one day whether they are going to have employment the next. They become more and more helpless in the hands of the strong man, and the character of the traveling men as a whole is degraded.

Q. What is the reply that they make to the usual argument on the other side that this discharge of traveling men is simply a lessening of the cost of production to the consumers, and is to be considered only a natural and normal step in the evolution of business; that the whole process is something of the same character as that which follows when a new machine is introduced—an invention? That is common argument that we hear frequently.—A. I do not know that I have ever heard any expression of opinion along that line, except in so far as it relates to a reduction of the cost to the consumer. I have never found a traveling man yet who believes that there is anything in that argument at all, for the very good reason that no reductions are ever heard of as a direct result of the reduction in the number of traveling men. Traveling men are usually pretty fair judges of human nature, and they know it is contrary to man's nature to make reductions in his wares, merely because there has been a reduction in the cost price to him.

Q. On the other hand, have you any opinion with reference to the effect of these organizations upon the prices of the product, as to whether they have really, as a matter of fact, increased or lowered the prices of the product?—A. I have made some little inquiry from time to time, and my opinion is that there is no reduction. Take the baking-powder illustration, for example. Within the last week I have inquired of one reliable retail dealer asking him whether there had been any reduction in the price of baking powder to him. He replied "no." I asked him if he had made any reduction in the retail price. He had not. So for the last 12 months—at least since the organization of that company—I do not think there has been anything that would warrant the conclusion that that combination had brought about a reduction in price.

Q. (By Mr. Farquhar.) In this baking-powder case you said that 64 out of 100 had lost their positions as traveling men. Do you think it would be good business for this consolidation to retain those 64 men in their employ after they had made the consolidation?—A. I do not.

Q. You think that the discharge or displacement of those 64 men might be accounted for on purely business grounds?—A. Easily.

Q. Do you not think, as you have answered partially before, that this displacement of labor in combinations is very much in the line of a new mechanical invention, such as the linotype machine among printers, where 1 machine does the work of 3 men, and 2 have got to go to the street?—A. No.

Q. What is the difference between the two?—A. The difference is that 1 man under the new order of things does not do the work of 3 men. Where 1 man is substituted for 3, the work that the 2 men did goes practically undone, except as it is done in other ways. Improved mechanical appliances can not talk. The linotype machine can not say to some other machine—and I believe there are a number of these typesetting machines in existence—"Why should there be 5 of us manufactured? It is a prodigal waste of material. Let us combine; let there be 1 machine; let it be the linotype." While they do work an improvement, it is not at the expense of their competitors. On the other hand, a combination between manufacturers or coal miners—operators, I believe they are called—is a combination between human intelligences. They can put their heads together and figure on a reduction in the cost of production, we will say. One of

them will suggest, it saves us the wages of a thousand men; the others rub their hands. The machine does not do that. That is just the difference, as I see it. It is a machine more in the nature of a monopoly of something that is absolutely necessary to sustaining life. You have not asked me for my individual opinion, and yet I find it a very difficult matter to separate the official from the individual. So far as I am personally concerned, I do not see any way to avoid the formation of trade combinations; it seems to me the operation of a hard law; no way to get around it—I mean the trade combination per se. I believe that the trade combination is nothing in the world but one of a numerous brood of children of a common parent. Take my own case, for instance. I am employed by a New York schoolbook publishing house, an independent concern. While they are not exactly monarchs of all they survey, they pursue their own course in transacting their business, subject to the dictates of no one. If they were to notify me to-morrow that they had decided to go into a combination of schoolbook men; that the numerous houses in the United States were going to combine and that it would be necessary for them to dispense with my services, I should say, "I regret that, because I am especially fitted for that work if I am especially fitted for anything; the nearly 20 years of my life that I have given to that has unfitted me for anything else, and it will be a grievous burden to me and my family to be thrown out of employment in this line; but I recognize that it is your right to do that if you care to, and I will not complain." I don't think I would approach a member of the lower house in the general assembly of Alabama for his vote on a bill that I knew would prevent it, because I should say that they were doing nothing more nor less than they had a perfect right to do under our system. That may account for the fact that I am not a very rabid antitrust man, using the term in the sense we ordinarily use it in.

REMEDY FOR THE EVILS OF TRUSTS.

Q. (By Mr. Jenks.) I was about to ask earlier if you had any remedies to suggest for what you have been speaking of. I think you have practically covered that. You think there is practically no remedy for what evil there may be—that it will remedy itself if it is remedied at all?—A. No; not just that.

Q. What?—A. Not just that. I do not believe that any legislation in which the nation can indulge is going to remedy the trouble of which we complain. I think it is treating scrofula by putting on poultices. I believe that there is one evil which is the parent of every one of the lesser evils, and that is the question of taxation; I think taxation controls it. I beg the pardon of the commission for saying that it seems to me to be rather inconsistent for the nation to complain of its citizens for combining their wealth when it does not complain at the way they get their wealth. I believe that the monopoly of natural opportunities is at the bottom of every one of these ills.

Q. And to get to the remedy would be——?—A. (Interrupting.) To go to the foundation; go to the foundation. When we say to a number of people of the United States, "It is perfectly proper for you to own and to monopolize the coal mines, the gold mines, the silver and copper mines, the land and waterways and ports," I do not see how we can go to them and complain that they organize trusts. I think that the trust, as we usually use that word, is simply a child, one of the numerous children of a common parent.

Q. (By Mr. Farquhar.) So that the commonwealth itself has encouraged this child?—A. Yes.

Q. And the legislation—special and class legislation, you mean—has been that which gave it the power?—A. Yes; unquestionably so.

Q. (By Mr. Jenks.) You have not technically defined your remedy. Is it the single tax on land values?—A. It is the single tax.

Q. On land values?—A. The single tax on land values. I would not go to the extent of saying that that would be a specific, but I believe that would go very far toward solving a number of questions that trouble us very greatly, like corruption in office, the buying and selling of votes, both of the individuals and of the representatives, if such a thing exists, and so on.

SITUATION OF DISCHARGED TRAVELERS.

Q. There was one question further that I wanted to ask on matters of fact. That was with reference to the discharge of employees, traveling men and others, when these combinations are formed. Have you any information with reference to the reemployment of men who have been discharged, we will say, as commercial travelers, by the organization in other capacities?—A. No. It is quite likely that a

man who loses an opportunity of earning a livelihood in one line will utilize his ability in some other line if he can, and I presume that has been done; though, as I have said previously, neither I nor the organization of which I am an officer have made any investigations.

Q. We have had some evidence to this effect: That at times traveling men, and higher officials also, in separate firms or corporations that have come together into one combination and have discharged these men, have been reemployed in some other capacity, because, as it was asserted, while they were not needed there, the organization was doing so much more business, extending its work so rapidly, that they really needed the services of these men, but in some other capacity; so that as a matter of fact it was simply a shifting of work and not an absolute depriving men of work that was brought about by the combination; and I thought possibly you might have some data on that subject.—A. No.

Q. (By Mr. Farquhar.) Is it not a fact that your organization, composed as it is of as intelligent a set of men as we have in this country in business, if discharged, have better opportunities than high-class mechanics and superintendents would have—that is, have not your men a more ready adaptability to go into other kinds of work on account of their knowledge of the business, their activity, and their higher intelligence?—A. I think so.

Q. So that of all professional people in the United States, would you not readily say that the commercial men will adapt themselves to these commercial changes quicker than almost any class, for instance than clerks, or even superintendents and the like?—A. I believe they would, except in cases where a long term of service has unfitted the men for other vocations. There is this peculiarity about the work of a traveling man; he loses his local identity, so to speak. A local man, traveling, say, out of a comparatively small town, covering a limited territory, coming back Saturday night to his family, going out again Monday morning, does not see one-twentieth of his acquaintances while he is in town. His acquaintances are here and there all over his territory. By and by, if he has served a considerable number of years, he comes back to his native town, if he has been thrown out of employment, and finds himself a comparative stranger in his own town. That is true in a greater degree of men who cover a large territory, like a man traveling from Philadelphia and going all over the South, we will say, or the West, where their trips are very much longer and their stay at home shorter. I know of men who travel 11½ months out of every 12; go away and stay for 5 or 6 months at a time, and come home and stay a week, and then go out again for the same length of time. But, as a rule, I believe they would be as apt to light on their feet, to use a popular expression, as any class of men you can find.

Q. Being thoroughly cosmopolitan in their character, they can fit themselves both to localities and to businesses?—A. They would be more apt to do that than any other class that I know of.

PAY OF TRAVELERS.

Q. (By Mr. Phillips.) Have you any facts or information in regard to the average wages that a traveling man obtains in comparison with others of like intelligence in other pursuits?—A. I have not. We have never gathered any statistics along that line, and there is no way that I know of to compute it.

Q. How do they generally work—on a per cent of what they sell, or on a monthly or yearly salary?—A. I should say that a vast majority of them work for stated salaries plus their legitimate expenses. Some of them get a salary, and, in addition to that, a percentage on their sales over and above a certain amount.

Q. Can you state some of the higher and lower salaries that are paid, or the medium, for those who work on a salary?—A. I should say that the minimum—which would apply to men traveling over a very limited territory, say reaching out 100 or 150 miles from home, for local houses in lines that do not pay a large profit—the minimum would be about $900 per year, plus their expenses, of course. The maximum would probably be between $4,000 and $5,000 a year.

Q. Do you think that there is the same opportunity for such men to gain homes and enter business that there is for others engaged in more local employment?—A. No; for the reason that I gave just a moment ago. I feel that myself. I have been traveling nearly 20 years, and while I am very fond of my home town and find as high a degree of pleasure around my own hearthstone as the average man, I can not shake off the feeling that I am somewhat of a pilgrim and a stranger in my own town.

Q. (By Mr. Kennedy.) Can you furnish the commission with the membership of the different traveling men's associations? Can you not get that for us?—A. I can procure it for you.

Q. Will you put it in your testimony?—A. I should take pleasure in doing so.

Mr. FARQUHAR. Will you amend your testimony where the question was asked you about the various organizations and names, and supplement that with the main report?

The WITNESS. I will take pleasure in doing it, yes.

Mr. FARQUHAR. And if there is a characteristic to them, as there is to the Utica association, just add that to them, mainly so and so, mainly so and so.

Q. (By Mr. PHILLIPS.) Where you alluded to Mr. Dowe's testimony, have you anything more to say in regard to any points that he has raised?—A. Nothing unless the commission has some questions to ask. I have read Mr. Dowe's testimony and I think a little of it is rather peculiar.

TRAVELERS' PROTECTIVE ASSOCIATION.

Q. (By Mr. KENNEDY.) Pick out that peculiar part and tell us where it is peculiar, will you?—A. I would rather not be put in the attitude of seeming to criticize Mr. Dowe. I do not know anything of the organization for which he speaks except that there is such an organization. Taking his own statement that it has somewhere between 1,500 and 2,000 members and that their dues are $1 a year, it strikes me at least that their fund with which they propose to do the work is rather small, when you consider the magnitude of the task involved. The Travelers' Protective Association has not any too much money, but we have more than $1 a year. We had to transfer $10,000 a month ago from our expense fund to our indemnity funds because we did not have any use for it in the expense fund.

Q. (By Mr. PHILLIPS.) Would you care to state what your dues are?—A. Our membership fee is $2; paid but once as long as the member keeps his dues up. Then he pays $10 a year. That $10 is divided between the national expense fund, the national benefit fund, the State division, and the local post. Our indemnity fund was about $50,000 a few days ago. I do not know what it is to-day; but within the last 10 days it was $50,000, and the expense fund was three or four thousand and ample to take us beyond the 1st of July, when our dues are payable again.

Q. Under what circumstances is your indemnity fund used?—A. In accidents—injury by accident.

Q. By accident only?—A. Yes; by accident only. We pay $25 a week in case of total disability for not to exceed 52 weeks, and $1,000 for the loss of an arm or leg, $2,000 for the loss of both hands or both feet or both arms or both legs, and so on—about like any accident insurance company. We have paid out since our organization something over $500,000—about half a million dollars—in that way.

Q. (By Mr. RATCHFORD.) Do you pay a death benefit?—A. Yes; $5,000.

Q. That is natural death, is it?—A. No, no; by accident.

Q. Accident?—A. Either immediate or resultant.

Q. (By Mr. FARQUHAR.) Were there many of your members in the United States Mutual Life?—A. I do not know; I was a member of it.

Q. Did you pattern your accident benefit somewhat after that company?—A. No; our certificate in a general way resembles that of the Fidelity and Casualty and the Travelers of Hartford, and companies of that description. While we are not an accident insurance company, we give our members an accident benefit.

FEELING OF TRAVELERS TOWARD TRUSTS.

Q. (By Mr. RATCHFORD.) I want to refer to the Louisville convention. The witness referred to it rather fully. I should like to ask whether there were any other reasons assigned by the members of that convention for tabling the antitrust resolution other than the claim that some of the delegates and membership of the organization were employed by such concerns. Were there any economic reasons for it as expressed by the delegates?—A. I have given you the report of the stenographers of the convention.

Mr. PHILLIPS. All the speeches that were made?

The WITNESS. Everything that was said—that is a stenographic report of the proceedings.

Mr. RATCHFORD. Well, in that I have heard no economic reasons expressed. The main reason was that some of the delegates were employed by trusts, and for that reason they hesitated about adopting such a resolution.

The WITNESS. That is a question.

Q. (By Mr. RATCHFORD.) That is a question?—A. I have given you the report just as it was taken down by our stenographer.

Q. That is a full report, is it?—A. That is all that was said on the subject unless some of the members talked between themselves.

Q. Well, I want to ask your opinion: Are you or are you not of the opinion that the trust is injurious to the commercial travelers?—A. I should say that it is.

Q. It is? In what respect?—A. My answer will be found in the preceding question.

Q. Well, I understand that you have answered partially; I want to know, and I think the commission would like to know, whether it is injurious in the way of reducing their wages directly or throwing them out of employment, or whether it is injurious because of its general effects upon the whole people?—A. Naturally, since self-preservation is the first law of nature, when a man is confronted with the possibility of losing his bread and butter, that is the first thing he thinks of. I do not think that the average man takes cognizance of the need of the community as a whole when his own grocery account is likely to go unpaid. So I would say that the hesitancy with which the traveling man goes about handling a question of this character is due to the fact that he feels that he is in danger of losing his bread and butter.

Q. I should like to have you, if you are able, tell us anything of the working of the trusts whose product is handled either by you or by your associates, placed in the different supply stores and through those stores to the public; for instance, the cracker trust, the tobacco trust, and other things of that kind. Are you in any sense familiar with those things, or could you enlighten the commission on them?—A. With reference to those products or others?

Q. Yes.—A. No; I have not made any investigation. I ought to have stated to the commission at the outset something that was suggested by an inquiry made by a member of the commission relative to what I wanted to say this afternoon. My answer was that I had nothing to say except as it might be developed by inquiries of the commission. This commission communicated with the chairman of our national railroad committee, Mr. Phelan, of Chicago. Mr. Phelan turned that letter over to the board of directors in St. Louis on the second Saturday of this month, and they asked me if I would go to Washington. I told them that I would, provided I could arrange my business so that I could get off. Subsequently I received from Mr. Sackett a formal invitation, which I have with me, dated the 12th. I got that the 14th, so I have had 4 days, business days, between the receipt of that invitation and to-day. So my coming is a courtesy to the commission, and intended to indicate to this commission our entire willingness to give you any information we can and to help you in the work. We understand that you are citizens of the United States, and so are we, and we want to help you, if we can, to perpetuate what already is the grandest government the world ever saw. I did not come loaded, I did not prepare any paper, and I do not know that I should have done so if I had had the time, because I wanted to avoid every appearance of being fixed up for the occasion. Pardon me, Mr. Ratchford, did I answer your question?

Mr. RATCHFORD. I think you have answered that as far as I care along that line.

The WITNESS. I have some opinions along that line, but I am very loth to express them in definite terms. I have some knowledge of some organizations that have been advertised as trusts, and I have seen no evil effects from their existence. I know of some of their men being displaced, but do not know why; possibly because they were not as competent as they would like to have them. There may be other reasons, but I have made no investigation along that line, and I should not like to make a statement unless I could sustain it with evidence.

(Reading from Mr. Dowe's testimony[1]:) "Q. What is the membership of the one that took this action at Louisville, that you spoke of? A. Thirteen thousand." That is approximately correct. (Reading:) "They are not all traveling men, by the way; they have also employers and buyers and insurance men."

We do admit insurance men; it would not disqualify a man; he might be a manufacturer and at the same time an insurance man. Being an insurance man would not disqualify him, but if he followed life or fire or accident insurance solely, we could not admit him. (Reading:) "They will take as a member anybody who travels occasionally, and if a man travels a day a year he can be a member of that organization. It is an accident association."

Well, that is an error. If we found a man that traveled a day a year just to get into the Travelers' Protective Association, or only traveled occasionally, the national board of directors would cancel his membership just the moment they heard of it; they have authority to do that, to cancel the membership of anybody.

Q. (By Mr. KENNEDY.) Do you look upon Mr. Dowe's testimony very largely as a disparagement of your association?—A. No; I would not say that. He just makes one or two mistakes. I see he states that he is a member of it; I did not understand that he was; he does not seem to be very well posted about its object and affairs, however.

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[1] See Report of the Industrial Commission, vol. 1, Testimony, p. 39.

WASHINGTON, D. C., *April 8, 1901.*

TESTIMONY OF MR. CHARLES R. FLINT,

Merchant.

The commission met at 10.46 a. m., Mr. Farquhar presiding. Mr. Charles R. Flint was introduced as a witness, and, being duly sworn, testified as follows:

Q. (By Mr. FARQUHAR.) Will you please give your name and address?—A. Charles R. Flint, New York City.

Q. Your occupation?—A. Occupation, merchant.

Q. (By Mr. JENKS.) You have had in your business some personal relations with various industrial combinations, I understand. Will you be kind enough to mention some of those with which you have been connected and the nature of your relations with them?—A. I have organized, or been one of the organizers, of the National Starch Company, the American Caramel Company, the Sloss-Sheffield Company, and the United States Rubber Company. I am chairman of the executive committee of the Rubber Goods Manufacturing Company, and a member of the executive committee of the American Chicle Company, a director of the National Starch Company, and treasurer of the United States Rubber Company.

MOTIVES LEADING TO THE FORMATION OF INDUSTRIAL COMBINATIONS.

Q. Will you state briefly the reasons that influenced the different concerns that were previously separate to come together into these combinations? You might perhaps treat the different combinations separately, so as to bring out the points definitely in the different industries.—A. In general, the reasons that would apply to all would be the desire to secure economies through combination, and the desire on the part of certain parties to have their property in a form where it would have a current market value, and be readily realizable.

Q. That is, they want it in stocks and bonds instead of in the plants themselves?—A. Instead of unrealizable securities, or, perhaps, to provide against death or disability, believing that by having an interest in the combination, in the event of disability, instead of having to compete with the best intelligence in the industry, that intelligence would have an identity of interest with them and would work to protect their interest. In some cases the inducement on the part of many people to enter combinations has been that, owing to the war of prices which has existed (such wars being the death instead of the life of trade), they have felt forced to enter into combinations in order to avoid failure or serious depreciation of their interest.

Q. That, you think, would cover practically the leading reasons that brought these combinations together. You spoke of the fact that in some of these industries the managers of the different competing institutions thought that in case of death or disability they would prefer to have an identity of interest with the others rather than to be forced to compete with the ablest men in the country as their rivals. I infer that you would say in general that a prominent force in bringing them together was what they considered undue competition and the added risks of business that come from competition?—A. Yes.

Q. So far as the danger that comes from the death of members of those separate industries is concerned, is there not a difference between a great combination controlling a large share of the output and a partnership?—A. Provided there exists a union of interest of the ablest men in the industry, the efficiency and ability of the management is not materially reduced in the event of death. An individual corporation, however, no matter how well organized or how well established, in the event of the death of its head fails for want of ability of the first order in its management. The best example of that which I have in mind at the moment is the way the business of A. T. Stewart went to pieces after his death. If that had heen a part of a combination and Mr. Wanamaker had been in the combination, it is reasonable to assume that the business never would have declined.

Q. You did not have in mind then simply the convenience of the transfer of property through shares of stock, bonds, and so on, but rather the identity of interest in the management of business?—A. Yes.

ECONOMIES EFFECTED BY INDUSTRIAL COMBINATIOMS—THE LARGER USE OF SPECIAL MACHINERY.

Q. You spoke of various economies that it was expected might be made. Will you take that up more in detail as regards some of your companies; for instance, the rubber companies?—A. Well, in general, centralized manufacture permits the largest use of special machinery. In the different combinations the manufacturing has been centralized and economies secured through the adoption of more economical methods. which are made possible by the large volume of business.

Q. Could you illustrate that more in detail?—A. For example, in the case of the manufacture of rubber goods an important branch of the business is the production of what is called the reclaimed rubber. Instead of the rubber being reclaimed in each factory or at the principal factories, that business has been centralized in one factory, and the percentage of the cost of reclaimed rubber has thereby been reduced about 20 per cent.

Q. (By Mr. A. L. HARRIS.) What do you mean by reclaiming?—A. Obtaining rubber from old rubber goods that have been discarded. By chemical processes we are able to reclaim about 15 per cent of the efficiency as compared with new rubber.

Q. (By Mr. JENKS.) This illustration applies to both the rubber companies, the United States Rubber Company and the Rubber Goods Manufacturing Company?—A. Yes; but to a larger extent to the United States Rubber Company which has a reclaiming plant at Naugatuck.

Q. Will you tell us the difference between these two companies?—A. The Rubber Goods Manufacturing Company manufactures all kinds of rubber goods other than boots and shoes, while 97 per cent of the business of the United States Rubber Company is at present in boots and shoes.

ECONOMY REALIZED IN RUNNING FACTORIES FULL TIME.

Q. Now, will you speak of some of the other economies of combination?—A. By running a factory full time, which can be brought about through centralized manufacture, there is a substantial reduction in the percentage of overhead charges. In recent calculations we have found that the percentage saved in the cost of production by running a factory full time instead of half time is from 4 to 8 per cent.

Q. That is in the manufacture of rubber?—A. That is in general; but the calculations that I have especially in mind and which were recently made were in the rubber industry.

Q. In the case of either of the two rubber companies were you able to effect this saving to a great enough extent to enable you to close some of the poorer plants without lessening your output?—A. In the case of the United States Rubber Company certain factories were closed in order to secure these economies, and in the case of the Rubber Goods Manufacturing Company one factory was closed; but in the case of the United States Rubber Company there were more factories closed from the fact that the United States Rubber Company purchased at the outset a larger number of factories, while in the case of the Rubber Goods Manufacturing Company only concerns that were successful were purchased.

EXTENT OF CONTROL POSSESSED BY THE UNITED STATES RUBBER COMPANY AND THE RUBBER GOODS MANUFACTURING COMPANY.

Q. About what percentage of the country's output of rubber boots and shoes does the United States Rubber Company control?—A. About 70 per cent.

Q. And the Rubber Goods Manufacturing Company?—A. The Rubber Goods Manufacturing Company manufactures 10 different classes of rubber goods. In some cases, being protected by a monopoly obtained under a Government patent, they have 100 per cent of the business.

Q. What are the special lines in which they have these patents?—A. They have patents in certain kinds of tiling—interlocking tiling—and also on certain kinds of tires. In other lines they manufacture only from 25 to 75 per cent.

ECONOMY OBTAINED THROUGH MORE DIRECT SALES.

Q. Do you think of other economies that have been made?—A. In certain industries there have been substantial economies through direct sales—direct distribution—although in securing economies in that department of the business very great care

has to be taken not to decrease the efficiency of the organization. One of the dangers that industrial organizations are subject to is that the management, desirous of securing economies, are liable to go too far in securing economies in the sale of their products. In doing so they are very likely to reduce very seriously the efficiency of that branch of the industry. Substantial economies can be made in that way, but great care must be taken in effecting them.

Q. Does it make any difference as to the kinds of goods that you have to dispose of whether you can make economies in this way by selling direct or through agents?—A. A very decided difference.

Q. Can you illustrate that?—A. For instance, where the goods are sold owing to the popularity of a trade-mark, as in the case of the American Chicle Company. The American Chicle Company is enabled to distribute a large amount of goods owing to the fact that they have trade-marks that are very highly regarded by the public. In a case of that kind—in the case of the American Chicle Company—the most complete centralization has come about. The whole business has been centered in one office, but they have 30,000,000 customers that insist on having their particular brands.

ECONOMIES IN ADVERTISING AND IN SALESMEN.

Q. In the case of the American Chicle Company, then, your idea is that they may make these economies in selling by lessening the number of traveling men or by lessening the amount of advertising?—A. Yes; by reducing the amount of advertising, although great care must be taken not to go too far in that direction.

Q. They can make the advertising more efficient?—A. Since combination has been brought about they can secure the same results at considerable less expense, owing to the more intelligent distribution and method of advertising; and advertising in a very large way enables them to secure more favorable rates.

Q. In the case of these companies that you have been speaking of, has there been any material saving by reducing the number of traveling salesmen?—A. Yes.

Q. In which companies?—A. Well, in most cases there has been considerable saving, and in some cases, perhaps they have gone a little too far in that direction. That is, they have undertaken to secure too great economies and have thereby reduced the efficiency of the selling department.

Q. And reduced the sales in proportion?—A. Reduced the sales.

Q. Can you give us any more definite data with reference to the number of traveling men whose services have been dispensed with in the United States Rubber Company and the Rubber Goods Manufacturing Company?—A. In the case of the United States Rubber Company there has been a saving of 25 per cent. In the case of the Rubber Goods Manufacturing Company the saving has been less, from the fact that the policy which has prevailed in the management of that company has been to sustain the individuality and independence of each concern, believing that in that way a higher efficiency would be secured in the selling branch of the business. Although the latter method has been more expensive, experience has proved that it has been of advantage to the company not to attempt to secure the last economy.

A BETTER REGULATION OF PRODUCTION ATTAINED BY INDUSTRIAL COMBINATIONS.

Q. Is there any other saving that had been expected from the combination?—A. By centralization there has been a reduction in the carrying of stocks, thereby reducing interest, insurance, storage, and shop work.

Q. How is it you are able to reduce the stocks you carry? Is it because you can gauge the markets better and fit your supply better to the demand?—A. Yes; production is regulated. That is one of the great advantages of industrial combinations. Where there are a large number of concerns that are competing without any general understanding or plan, there is a tendency to overproduction, with the result that markets become demoralized. Overproduction is a breeder of panics, and failures result. When these interests are combined, production is regulated to the requirements of the country to a large extent.

Q. Can you think of any other sources of saving that operate?—A. The advantage that results from standardizing production by reducing the number of styles. That causes a substantial reduction in the cost of manufacture, and helps to reduce stocks. Then, too, the company has the advantage of the highest intelligence in the industry in adopting the best standards.

ECONOMY IN EXPENSES OF TRANSPORTATION.

Q. Can you mention whether you expected to save anything, or have saved anything, in the way of freight charges?—A. Yes; a well-managed combination takes advantage of the cheapest transportation facilities. They will ship goods to the

West, for instance, when they can get the advantage of water freights on the lakes. They have storage facilities at western points, and the rate of freight is considerably less during the summer than when water transportation is closed; the well-managed industrials take advantage of these conditions.

Q. Can you mention whether there has been a distinct source of saving in these industrials you are speaking of?—A. Yes. For example, in the case of starch, and in the case of rubber boots and shoes. The United States Rubber Company has a large warehouse at Chicago, for instance, and shipments are made there by water transportation.

Q. Does that apply particularly to the Chicle company also?—A. No; for the reason that the Chicle product is done up in such small packages that the freight is not any material item.

Q. Has there been, within a year or two, any attempt on the part of the railroads to increase the rates of any of your products by changing them from one classification to another?—A. Not to my knowledge.

ECONOMY IN THE PURCHASE OF RAW MATERIALS.

Q. (By Mr. FARQUHAR.) Are there not some economies in the purchase of raw materials? You have said nothing at all about where you get your raw materials; whether under combination you can secure them cheaper, or make arbitrary rates from the parties you buy them from.—A. As a rule there is not much saving to be secured in the purchase of staple merchandise. In some instances the large consolidations are at a disadvantage, owing to the fact that they are such large buyers. In general, I should say that some economies can be secured by them, but these would not be important unless the combination should use a very large percentage of that particular kind of raw material anywhere produced. In considering the raw material market, it is necessary to include in your calculations all the raw material in the world, owing to the present facilities for quick transportation. Raw material in London is as available as if it were around the corner; therefore, unless an industry uses a large percentage of the raw material that is produced in the world at large, no important advantage can be obtained.

NATURE OF THE BUSINESS OF THE AMERICAN CHICLE COMPANY.

Q. (By Mr. JENKS.) You have told us in reference to the nature of the products of the rubber companies. Will you explain a little more in detail the nature of the product of the Chicle Company, and of the raw materials that are used?—A. The principal article used in the manufacture of gum is chicle, which is imported from Mexico.

Q. What is it, a gum?—A. It is a gum. Then there is considerable sweetening and flavoring used in the product.

Q. You spoke a little while ago with reference to the brands, and said in effect, that you had 30,000,000 customers that insisted on a favorite brand. About how many brands of chewing gum are manufactured by the Chicle Company?—A. Seven.

Q. What are some of the leading brands?—A. White's Yucatan, Tutti Frutti, Adam's Tutti Frutti, Beeman's Pepsin gum. For the others I refer you to the fences.

Q. I should suppose that in the case of the Chicle Company you perhaps consume a large part of the raw product of the world?—A. That is true, from the fact that that industry is essentially an American industry.

Q. You have not yet cultivated the taste of Europe?—A. We find it difficult to educate the Europeans up to the advantages of chewing gum.

Q. Do you know about what percentage of the entire world's output of chicle we consume?—A. We consume about 50 per cent.

ECONOMIES IN GREATER FREEDOM FROM BAD DEBTS AND IN COMPARATIVE ACCOUNTING.

Q. Can you mention any other savings that you had anticipated in the formation of these companies?—A. Savings by a greater knowledge of credit conditions; when men come together who have heretofore been in competition they bring to the common interest a very complete knowledge of the credit conditions; and a combination must guard itself against bad debts.

Q. About how much saving is made along that line in some of these different companies?—A. Well last year the United States Rubber Company, doing a business of about $25,000,000 lost less than $1,000 by bad debts.

Q. Do you know how much was lost proportionately by some of the separate companies before the combination?—A. I think that the loss by separate companies

would have averaged on a business of that volume over $100,000 a year, but it is fair to state that business conditions were favorable last year.

Q. Do you think of other economies?—A. Well, the general advantages that result from comparative accounting.

METHOD OF ORGANIZING THE RUBBER GOODS MANUFACTURING COMPANY.

Q. Now, will you explain to us in some detail the general methods of organization that were followed—the work that was done by the promoter in the way of dealing with the different vendors, with the banks, the fixing of the valuation of the properties, the way in which you went to work to organize some of these companies, and so on? Take the Rubber Goods Manufacturing Company, for example; tell us how you went to work to organize that.—A. The first move that I made in that business was to form what some call a blind pool—that is, parties subscribed $5,000,000, of which there was allotted $3,000,000, and this fund was deposited in the Central Trust Company to be invested by me in rubber properties, so that at the outset I had in hand $3,000,000 in cash with which to buy rubber properties. Simultaneously with that subscription, I created a plan of capitalization under which it was provided that a 7 per cent cumulative preferred stock should be issued, and in the agreements I provided that that issue should be limited to the amount of tangible assets; and I went further and specified as to what tangible assets should include, namely:

Plants which were appraised by three men (one of these three was a president of a national bank, another was an engineer, and the third was the head of one of our largest manufacturing industries).

Merchandise, raw, wrought, and in process, taken at the market value at the time of the organization.

Manufactured goods at about cost, but at a percentage less than the selling prices.

Receivables guaranteed by the vendors and secured by collateral deposited by the vendors with the trust company, the collateral deposited amounting to 15 per cent of the preferred and common stock received by the vendors.

Q. That is, of the Rubber Goods Manufacturing Company?—A. Yes.

Q. And am I to understand that these receivables were guaranteed at their face value?—A. The receivables were guaranteed at the value at which they were put into this accounting. From the total values, as before stated, there were deducted liabilities, if any, and preferred stock was issued for the net result. Common stock was issued to represent the value of good will, patents, and trade-marks; and patents are of very great value. One important branch of the business is the manufacture of tires. A user of a tire is very particular to have one of a certain manufacture. The issue of common stock was limited to fourteen and two-sevenths times the amount of the net earnings during the year previous to the organization. That put the issue of common stock on a 7 per cent basis.

Q. In case of the manufacture of rubber, are there secret processes of manufacture that are of any value?—A. Yes; there are secret processes, and the issue of common stock would represent the value of those processes.

Q. Take, for example, 20 rubber plants. How many secret processes do you suppose there would be possessing any market value which some of those concerns would have and others not?—A. No concern would be manufacturing under exactly the same processes, but the manufacturing of rubber is something that might be likened to cooking, and in many cases it is dangerous to dictate to your cook as to how she shall mix the dough. It is not possible in the manufacture of rubber to dictate to all the companies the accurate methods that you would in the manufacture of metals, but substantial advantages have been gained by the general adoption of processes that heretofore have only been used in one factory.

Q. I understand that these processes are also included in this good will for which the common stock was issued?—A. That is correct. The members of the cash syndicate, to which I first referred, received from The Rubber Goods Manufacturing Company stock upon exactly the same basis as the manufacturers who entered the company, all being dealt with upon exactly the same basis as I have outlined in connection with the issue of preferred and common shares.

Q. That is to say, the syndicate members who advanced cash received for every hundred dollars in cash one share of preferred stock, and one share of common stock as a bonus?—A. Yes; to the extent that cash was paid in to the treasury of the Rubber Goods Company from the syndicate fund. But a considerable amount of that cash was used in the purchase of other properties, in which case the syndicate received securities to the extent provided in that syndicate agreement. The members of the syndicate received for every hundred dollars, $100 preferred stock and $90 in common, with this limitation, that preferred stock should be limited to the issue of

tangible assets, and the common stock limited to the 7 per cent basis, the promoters and bankers receiving any amount that they could obtain over and above that, instead of over and above the limit obtained under those conditions. They were not guaranteed even the 10 per cent. They had to take their chances, and if, in organizing that company, they had found it necessary to pay a larger sum than the amount stated, they would lose money. They had to take that risk.

Q. The purchase of the plants was entirely in their hands?—A. Yes.

Q. And if they could buy for 100 per cent of the preferred and 90 per cent of the common they made the 10; if they had to pay more than that they lost?—A. Yes.

Q. If they could buy for less than that for cash they made that in addition?—A. Yes. They had to keep within these limitations, that no preferred was to be issued in excess of tangible assets and no common in excess of the 7 per cent basis.

Q. Do these conditions you have spoken of appear in the syndicate agreement?—A. Yes; they appear in the syndicate agreement, Exhibit A.

Q. Including the conditions regarding the common stock limitation to 7 per cent?—A. No; the limitation as to the issue of common stock was covered in a letter addressed by me to the bankers.

EXHIBIT 1.—*Prospectus, subscription agreement, certificate of incorporation, and by-laws of The Rubber Goods Manufacturing Co.*

[Exhibit A.]

It is proposed to organize a corporation under the laws of the state of New Jersey, to be known as The Rubber Goods Manufacturing Company, which shall merge and consolidate into a single company, as hereinafter provided, the several plants or interests now engaged in the manufacture in the United States of rubber goods and allied products other than boots and shoes.

I.

The company shall be authorized to issue capital stock as follows: Of 7 per cent cumulative preferred shares, $25,000,000; of common shares, $25,000,000.

II.

As soon as the parties in interest shall enter into an agreement to consolidate business with at least 8 plants, and which shall show annual aggregate sales of at least $5,000,000, and which shall also show plants, buildings, machinery, real estate, and quick assets over liabilities of the value of at least $4,000,000 (exclusive of good will, patents, secret processes, and trade-marks), Messrs. Baring, Magoun & Co. may procure the organization of the proposed company under and in conformity with the provisions of the articles of incorporation, a copy of which is hereto annexed and marked "B."

As soon as The Rubber Goods Manufacturing Company shall have been duly organized, it shall proceed at once to purchase the plants, properties, and good will hereinbefore referred to, and all or the majority of the capital stock of the company or companies owning any of such plants and properties, such purchases to be made by the issue and payment of the capital stock of The Rubber Goods Manufacturing Company, as follows:

III.

Preferred shares shall be issued only for tangible assets.

The aggregate value of the tangible assets (exclusive of the value of patents, trade-marks, secret processes, and good will), of all the properties or businesses to be acquired, shall be determined upon by the following appraisers, viz: Oliver S. Carter, of New York; William Barbour, of Paterson, N. J.; and Thomas Curtis Clarke, of New York, or any two of them, who shall have authority to employ such experts as they may deem necessary to assist them in their work.

Tangible assets shall include the following:

(1) Real estate, buildings, machinery, tools, fixtures, patterns, molds, and all other appliances of manufacture.

(2) Stock of raw materials and supplies, goods in process of manufacture, and manufactured goods.

(3) Accounts and bills receivable transferred by the vendors, approved and accepted by The Rubber Goods Manufacturing Company and guaranteed by the vendors.

Where properties, plants, and businesses can not be acquired directly, The Rubber Goods Manufacturing Company may acquire a majority or all of the capital stock of any company or companies owning any of such properties, plants, or businesses.

IV.

Common stock shall be issued in payment for good will, patents, secret processes, trade-marks, contracts, and other values.

V.

After the company shall have made provision for the acquisition of the properties referred to in Article II, but before such properties shall be finally acquired, effort shall be made to include in the properties so to be acquired, the largest practicable number of desirable concerns engaged in the industry.

Subscription agreement.

We, the undersigned, in consideration of our mutual promises and agreements, and for other good and valuable considerations, do hereby agree with Baring, Magoun & Co. and F. S. Smithers & Co., and with each other, to subscribe and pay to the Central Trust Company of New York, on the demand of Baring, Magoun & Co. and F. S. Smithers & Co., the amount set opposite our respective names, for the purpose of the syndicate hereby organized, to promote the consolidating of certain plants and interests now engaged in the manufacture in the United States of rubber goods and allied products (other than boots and shoes) as referred to in the annexed general plan marked "Exhibit A." It is understood and agreed by and between the parties as follows:

Charles R. Flint, of the city of New York, shall have authority to invest the money subscribed hereunder in the stocks, securities, or assets, of any or more of such manufacturing properties, subject only to the approval of Baring, Magoun & Co. and F. S. Smithers & Co., and all interests so purchased shall be deposited with the Central Trust Company and to be held by it, subject to the orders of Charles R. Flint, for the purposes of this agreement.

Such rights, interests, properties, and securities so deposited with the Central Trust Company, and held by it subject to the order of Charles R. Flint, shall be delivered or surrendered to him in exchange for shares of The Rubber Goods Manufacturing Company, which shall enable the Central Trust Company to make a distribution to the subscribers hereto, as hereinafter provided for.

Each subscriber hereto shall receive from the Central Trust Company, in consideration for his subscription hereto, 7 per cent preferred shares of the proposed The Rubber Goods Manufacturing Company to the amount of their subscription at par, together with a like amount (less 10 per cent) of the common shares of said company, which shall have been paid over by Charles R. Flint to the Central Trust Company, as hereinbefore provided.

Any shares of the capital stock of The Rubber Goods Manufacturing Company which shall remain in the hands of Charles R. Flint after delivery to the Central Trust Company of the shares referred to for distribution among the subscribers as hereinbefore provided, shall become and be the property of Charles R. Flint, for the payment of bankers' commissions, searching titles, payment of fees of brokers, and in consideration of his services in the premises.

In witness whereof we have hereunto set our hands this —— day of December, 1898.

Name.	Address.	Amount.

Memorandum of agreement entered into this —— day of December, 1898, by and between ———, of the ———, party of the first part, and The Mechanical Rubber Company, a corporation organized under the laws of the state of New Jersey, party of the second part, and F. S. Smithers & Co., of the city of New York, parties of the third part.

Whereas, a certain agreement has been entered into this —— day of ———, 189–, a copy of which is hereto annexed, marked "A;" and

Whereas, the price agreed to be paid by F. S. Smithers & Co., for the shares of The Mechanical Rubber Company is predicated upon a certain statement of assets of The Mechanical Rubber Company, a copy of which is hereto annexed and marked "B;"

Now, in consideratlon of the execution of the annexed agreement "A," by F. S. Smithers & Co., and for other good and valuable considerations, I, ———, do hereby

guarantee The Mechanical Rubber Company, in the proportion that ——— shares of the stock of The Mechanical Rubber Company now owned and held by me bears to the total issue of the preferred and common shares of the said company, namely, 47,962 shares, that the quick assets of The Mechanical Rubber Company shall realize the full sum set out in the annexed statement, namely, $2,642,230.61 (less only 5.77 per cent of the sum of $1,152,919.27 referred to as the quick assets of the New York Belting and Packing Company, Limited, of which latter company 5.77 per cent of the preferred shares belongs to persons or parties other than The Mechanical Rubber Company), together with interest from March 31, 1899, at the rate of 5 per cent per annum, and in the event of the failure of said assets to realize such sum, together with interest as aforesaid, that I will make good the difference between such sum, plus said interest, and the amount actually realized by The Mechanical Rubber Company on such assets to the extent of —— 47962nds thereof.

And I do further agree that of the shares of the capital stock of the proposed The Rubber Goods Manufacturing Company to which I am or may be entitled under the provisions of the annexed agreement "A," there shall and may be retained and held by the Central Trust Company 15 per cent thereof, namely, ——— shares of the preferred stock and ——— shares of the common stock of the said The Rubber Goods Manufacturing Company, as collateral security for the performance of this agreement on my part, with full power on the part of the Central Trust Company, on the demand of the Mechanical Rubber Company, to dispose of the said collateral at public or private sale, and to pay the proceeds thereof to the Mechanical Rubber Company to the credit of my aforesaid guaranty; it being understood and agreed that thereafter the Mechanical Rubber Company shall liquidate the said assests for the account and benefit of myself and the other shareholders of the Mechanical Rubber Company who shall have entered into agreement similar hereto, to the extent of the aggregate of all such guarantees, and shall distribute the proceeds thereof to such extent pro rata among myself and such other guaranteeing shareholders as aforesaid (i. e., to each guarantor as the total number of shares so deposited by him shall be to the grand total of all shares deposited by myself and others under this and similar agreements to secure such guaranty), upon condition, however, that before selling the said shares as hereinbefore provided, the Central Trust Company shall give me and all other shareholders of the Mechanical Rubber Company entering into similar agreements hereto, 60 days' notice in writing, within which time they and I severally shall have the option of paying in cash to the Central Trust Company their and my proportions severally of the total amount guaranteed as aforesaid, and which is properly chargeable against the collateral deposited by them and me severally as security for the performance of this and similar agreements; and upon the payment by me to the Central Trust Company of the proportion so properly chargeable against the hereinbefore specifically described collateral security, that I shall receive the aforesaid ——— shares of preferred and ——— shares of common stock of the said The Rubber Goods Manufacturing Company from the Central Trust Company, and in addition thereto, that I shall be entitled to receive from the Mechanical Rubber Company my proper distributive share of the sum actually realized by said Mechanical Rubber Company in the liquidation of accounts so guaranteed and paid by myself and other stockholders of the Mechanical Rubber Company, as hereinbefore provided.

In witness whereof the parties hereto have set their hands and seals this —— day of ———, 1898.

Certificate of incorporation of The Rubber Goods Manufacturing Company.

We, the undersigned, do hereby associate ourselves into a company under and by virtue of an act of the legislature of the state of New Jersey, entitled "An act concerning corporations" (revision of 1896), and the several acts supplemental thereof and amendatory thereto, for the purposes hereinafter set forth, and we do hereby assume to and for the said company all the rights, powers, privileges, and immunities granted to and enjoyed by corporations under the laws of the state of New Jersey.

1. The name of the corporation is The Rubber Goods Manufacturing Company.
2. The location of its principal office in the state of New Jersey is at No. 60 Grand street, in the city of Jersey City, county of Hudson. Said office is to be registered with the Corporation Trust Company of New Jersey. The name of the agent therein and in charge thereof, and upon whom process against this corporation may be served is the "Corporation Trust Company, New Jersey."
3. The objects for which this corporation is formed are to do any and all of the things hereinafter set forth to the same extent as natural persons might or could do as principals, agents, contractors, trustees or otherwise, either alone or associated with other corporations or natural persons, and to receive and exercise all of the rights, powers, and privileges of natural persons in connection therewith.

To enter into, make, perform, and carry out contracts of every nature, kind, or description whatever with any person, firm, association, or corporation.

To invest in, grant, bargain, sell, buy, rent, deal in, own, improve, lease, or receive any and all kinds of property, real or personal, within or without the state of New Jersey, including the shares and evidences of indebtedness of other corporations, as well as its own shares, and to deal with the same as a natural person might do, and in all ways not inconsistent with law.

To deal in, manufacture, and sell wherever it may be to the best interest of the company any and all classes and kinds of manufactured goods, products, and commodities, but more especially all classes of goods of which india rubber, caoutchouc, gutta percha, balata, or any of their substitutes are a component part, as well as all material utilizable for the manufacture of such goods, and to deal in, manufacture, and sell any and all other classes of goods, the purchase, manufacture of, or sale of which may be desirable in connection with, or which may contribute or conduce to the advantage of the company. And in general to carry on any other business in connection therewith, whether manufacturing, trading, building, carrying, or otherwise, with all powers conferred by the laws of New Jersey upon corporations.

To enter into contracts of any and every nature, kind, or description whatever with citizens of or companies organized under the laws of any foreign country or with any foreign government, municipal—state, or national—for the purchase of crude rubber or any other goods, wares, or merchandise, as well as the purchase or rental of rubber or other lands, and to enjoy any and all franchises, privileges, licenses, grants, or concessions which may be granted by any such person, corporation, or government, and to enter into and carry out any contract not inconsistent with the laws of the state of New Jersey, which the company may make in connection with any grant, privilege, concession, license, right, or franchise as hereinbefore last referred to.

To acquire by grant, lease, or otherwise any business or part of any business whatever and to do all or any part of the business of any person, firm, or corporation, and to take over their assets and liabilities.

To apply for, purchase, or otherwise acquire, and to use, operate, sell, assign, transfer, dispose of, as well as to grant licenses in respect of, or otherwise to turn to account any and all inventions, improvements, and processes secured under or used in connection with letters patent of the United States or of any other state or country, and to use, work, and develop the same in the conduct of any business, whether manufacturing or otherwise, in any of the United States or abroad.

To advance moneys, securities, and credits on any property, real or personal; to borrow and loan upon any kind or class of property, real, personal, or mixed; to purchase, receive, hold, own, sell, assign, transfer, mortgage, pledge, or otherwise dispose of, and guarantee and secure the payment and satisfaction of bonds, coupons, mortgages, deeds of trust, debentures, notes, shares of stock of corporations, and also to guarantee and secure the payment or satisfaction of dividends, certificates of deposit, and other securities, obligations, options, contracts, and evidences of indebtedness, whether owned, held, or issued by natural persons or by private or public corporations or associations; to receive, collect, hold, own, assign, pledge, and otherwise dispose of, or to guarantee and secure the payment and satisfaction of interest, dividends, and income upon, of, and from any of the bonds, coupons, mortgages, deeds of trust, debentures, notes, shares of capital stock, certificates of deposit, securities, options, contracts, and other evidences of indebtedness, as well as of all and every kind of property owned or held or controlled by it, and to exercise any and all of the rights, powers, and privileges of individuals or corporations with respect thereto, including the right to vote on all shares or corporate stock owned or held by it.

For the furtherance of the purposes of the corporation, to issue bonds and other obligations of the corporation, and to secure the same by pledges or deeds of trust or mortgages upon the whole or any part of the property and franchises held by the company, and to sell, pledge, or otherwise dispose of such bonds for corporate purposes.

To do each and every and all things necessary, suitable, desirable, or proper for the accomplishment or furtherance of the purposes or for the attainment of the objects hereinbefore enumerated, which shall at any time appear for the interest and benefit of the corporation, and in general to engage in any lawful business for any lawful purposes whatsoever as may be desirable, necessary, or convenient.

To have one or more offices, and to carry on all or any of its operations or business in any state or territory of the United States or any foreign place or country whatever.

4. The total authorized capital stock of the corporation is $50,000,000, divided into 500,000 shares of the par value of $100 each. Of such total authorized capital stock

250,000 shares, amounting to $25,000,000, shall be preferred stock, and 250,000 shares, amounting to $25,000,000, shall be common or general stock.

From time to time the preferred stock and the common stock shall be issued in such amounts and in such proportion as may be determined by the board of directors, and as may be permitted by law.

The preferred stock shall be entitled, out of any and all net profits, whenever declared by the board of directors, to cumulative dividends at the rate of 7 per cent per annum, which dividends shall be paid in preference to and with priority over any payment of any dividend on the common stock, and no dividend shall at any time be paid on the common stock until all accumulated arrears of dividends on the preferred stock for any previous year or years, together with interest on such arrears at the rate of 4 per cent per annum shall have been paid.

In the event of the dissolution of the corporation, the holders of the preferred stock shall be entitled to receive the par value of their preferred shares, together with all accumulations of unpaid dividends and interest thereon, out of the surplus funds of the company after payment of all indebtedness of the company other than to its stockholders, before anything shall be paid to the holders of the common stock, and any surplus, after the payment of all indebtedness of the company to parties other than stockholders of the company and after payment to the preferred stockholders hereinbefore provided for, shall belong to and be exclusively divisible among the holders of the common or general stock of the company.

The common stock shall be subject to the prior rights of the holders of the preferred stock, as hereinbefore declared.

If, after providing for the payment of full dividends for any fiscal year on any preferred stock, and all accumulated arrears of dividends with interest thereon, as hereinbefore provided, there shall remain any surplus net profits for such year, all such surplus net profits shall be applicable to dividends on the common stock when and to such extent as the same may be declared by the board of directors.

5. The names of the incorporators (the post-office address of each of whom is 60 Grand street, Jersey City, N. J.), the number of shares of common stock subscribed by each, the aggregate of such subscription being the amount of capital stock with which the company will commence business, is as follows:

Names.	Number of shares.	Names.	Number of shares.
William A. Towner	One share.	Herbert J. Davis	One share.
Henry Steers	One share.	Alden S. Swan	One share.
Thomas Russell	One share.	C. H. Dale	One share.
Alvah Trowbridge	One share.	Camillus G. Kidder	One share.
Ulysses D. Eddy	One share.	Charles Stewart Smith	One share.
G. W. Hebard	One share.	Geo. S. Dearborn	One share.
R. L. Edwards	One share.	Ansel L. White	One share.
Percy Chubb	One share.		

6. The duration of the company shall be unlimited.

7. The company may use and apply its surplus earnings and accumulated profits in the discretion of the directors to the creation and maintenance of a surplus fund for the purchase and acquisition of property, both real and personal, including the purchase and acquisition of its own capital stock, and for the payment of dividends. It may also take its own capital stock in payment or satisfaction of any debt due to the company from time to time, and to such extent and in such manner and upon such terms as its board of directors may determine, and it may sell and dispose of such stock so acquired at such times and upon such terms and conditions as may be agreed upon by the board of directors. The capital stock of the company, acquired by purchase or otherwise, or taken in payment or satisfaction of any debt of the company, shall not be regarded as profits for the purpose of the declaration or payment of dividends unless a majority of the board of directors or a majority of all the stock then issued and outstanding shall otherwise determine.

8. The number of directors at any time may be increased by the vote of the board of directors. In case of any such increase the board of directors shall have the power to elect such additional directors to hold office until the next meeting of stockholders, when their successors shall be elected. The directors shall have the power to make, alter, and amend the by-laws at any time at a regular or special meeting, provided notice in writing shall have been previously given to each member of the board of the fact that it is proposed at such meeting to offer an amendment or amendments to the by-laws, subject, however, to the right on the part of the stockholders at any

meeting thereafter which may be called for that purpose (as shall be provided in the by-laws), to alter or repeal such amendment or amendments; to hold their meetings and to have one or more offices, and to keep the books of the company (except the stock and transfer books) at any place or places outside of this state, as may be designated by them; to fix the amount to be reserved as working capital; to mortgage the real and personal property of the corporation, with the consent and approval of the holders of two-thirds of the preferred shares; to transfer or otherwise dispose of any or all of the property or franchises of the corporation; but no sale of all of the property or franchises of the corporation shall be made except pursuant to the vote of at least two-thirds of the board of directors and the consent and approval of the holders of two-thirds of the entire capital stock issued and outstanding; to delegate their powers to such committee as they may appoint or as may be provided for by the by-laws, with full power on the part of such committees to conduct and conclude any ordinary and current business of the company which may by the board of directors or the by-laws be delegated to such committee; by resolutions passed by a majority of the whole board to name at least 5 of their number who shall constitute an executive committee, which committee shall for the time being and to the extent provided in the resolution appointing it, or provided in the by-laws of the company, have and acquire the powers of the board of directors in the management of the business and affairs of the company; to authorize the seal of the company to be affixed to all papers which require it.

9. The board of directors shall from time to time determine to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation or any of them shall be open to the inspection of the stockholders. No stockholder shall have any right to inspect any account or book or document of the corporation except as conferred or authorized by the board of directors, or by resolution duly passed at a regular or special meeting of the stockholders.

10. It is the intention that the powers above specified in article 3, except where otherwise expressed in said article, shall be in no wise limited or restricted by reference to or inference from any other article or paragraph in this certificate.

Dated, January 25, 1899.

Wm. A. Towner, *304 Saint James Place, Brooklyn, N. Y.*
Henry Steers, *10 East Thirty-eighth Street.*
Thomas Russell, *287 Broadway.*
Alvah Trowbridge, *25 Nassau.*
Ulysses D. Eddy.
G. W. Hebard, *120 Broadway.*
R. L. Edwards.
Percy Chubb, *5 and 7 South William Street.*
Herbert J. Davis.
Alden S. Swan, *151 Maiden Lane.*
C. H. Dale, *No. 131 West One Hundred and Nineteenth Streei.*
Camillus G. Kidder, *76 Highland avenue, Orange, N. J.*
Chas. Stewart Smith, *25 West Twenty-seventh Street, New York City.*
Geo. S. Dearborn, *11 Broadway.*
Ansel L. White, *36 South Street.*

State of New York, *County of New York, ss:*

On this 25th day of January, 1899, before me, Henry W. Rudd, a notary public in and for the county of New York, state of New York, personally appeared William A. Towner, Henry Steers, Thomas Russell, Alvah Trowbridge, Ulysses D. Eddy, G. W. Hebard, R. L. Edwards, Percy Chubb, Herbert J. Davis, Alden S. Swan, C. H. Dale, Camillus G. Kidder, Charles Stewart Smith, George S. Dearborn, and Ansel L. White, to me known and known to me to be the individuals mentioned and described in and who executed the foregoing instrument and who severally acknowledged to me that they executed the same.

[seal.] Henry W. Rudd,
Notary Public 106, New York County.

State of New York, *County of New York, ss:*

I, William Sohmer, clerk of the county of New York, and also clerk of the supreme court for the said county, the same being a court of record, do hereby certify that Henry W. Rudd, whose name is subscribed to the certificate of the proof or acknowledgment of the annexed instrument, and thereon written, was, at the time of taking such proof and acknowledgment, a notary public in and for said county, duly commissioned and sworn, and authorized by the laws of said state to take the acknowledgments and proofs of deeds or conveyances for land, tenements, or hereditaments

in said state of New York. And further, that I am well acquainted with the handwriting of such notary public, and verily believe that the signature to said certificate of proof or acknowledgment is genuine.

In testimony whereof, I have hereunto set my hand and affixed the seal of the said court and county the 25th day of January, 1899.

[SEAL.] WM. SOHMER, *Clerk.*

(Indorsed:) Received in the Hudson County, N. J., clerk's office, January 25, A. D. 1899, and recorded in clerk's record No. —, on page —. John G. Fisher, clerk. Filed June 26, 1899. George Wurts, secretary of state.

By-laws adopted by the stockholders and in force February 13, 1901.

ARTICLE I.

SEC. 1. The annual meeting of the stockholders shall be held at the office of the company in the city of Jersey City, on the second Thursday in April in each year, after 1901, at 12 o'clock, noon. Polls shall be open from 12 o'clock at noon until 1 o'clock p. m., under the supervision of three tellers, to be appointed by a vote of the stockholders present or represented at the meeting.

SEC. 2. Special meetings of the stockholders may be called by order of the board of directors, and shall be called whenever stockholders of record owning one-fourth of the capital stock of the company issued and outstanding at the time shall in writing make application therefor to the board of directors, stating the object of such meeting. The business transacted at the special meeting shall be confined to the objects stated in the call.

SEC. 3. Notice of the time, place, and object of each annual or special meeting of the stockholders shall be mailed to each stockholder at least 10 days before the date specified for the meeting, addressed to his place of residence or business as the same appears in the list of addresses, which shall be kept in the books of the secretary of the company.

SEC. 4. At all meetings of the stockholders each share of stock, whether preferred or common, shall entitle the holder thereof of record, or his proxy, to one vote.

SEC. 5. At all meetings of the stockholders a majority of the shares of stock issued and outstanding at the time, represented by the owners thereof of record, in person or by proxy, shall constitute a quorum. Meetings at which not less than one-third of the stock is so represented may, however, be adjourned to a future date by those who attend, and notice of such adjournment shall be given to all the stockholders in the same manner as the original notice of meetings, as provided for in section 3 of this article.

ARTICLE II.

SEC. 1. The board of directors shall consist of 15 stockholders, or such greater number, not exceeding 21, as may by amendment hereof be from time to time prescribed. The board of directors may at any time increase their number by election to such board of an additional person or persons who shall be stockholders of the company, as provided for in the articles of incorporation.

The first board of directors shall be elected by ballot at the first meeting of the company. The members thereof shall hold office as herein provided, and until their successors are elected by ballot of the stockholders.

SEC. 2. The directors shall hold office during 1 year, and until their successors are chosen and qualified in their stead. For the purposes of this article, the 1 year constituting the term of office of the first board of directors shall be deemed to expire on the second Monday of February, 1900, which is the day fixed for the first annual meeting of the stockholders.

SEC. 3. A majority of the directors shall constitute a quorum for the transaction of business. A less number may adjourn from time to time.

The board of directors shall meet for the election of officers and transaction of business without unnecessary delay after each annual meeting of the stockholders.

SEC. 4. The place outside the state of New Jersey at which directors may hold their meetings and have an office, and keep the books of the company, except the stock and transfer books, shall be the principal office of the company in the city of

New York, or at such other place or places as may at any time be fixed by resolution of the board of directors.

SEC. 5. The directors shall elect by ballot from among their number a president and one or more vice-presidents. They shall also elect or appoint a secretary and treasurer, either or both of whom may be chosen from among the directors of the company, or otherwise, as they, the board of directors, may decide.

The secretary shall be sworn to the faithful discharge of his duties. The treasurer shall give bond for the faithful discharge of his duties, in such sum and with such sureties as the directors may from time to time require.

The offices of secretary and treasurer may be united in one person if and whenever the directors so elect.

SEC. 6. Other officers, employees, and agents of the company as and in the manner and upon the terms prescribed by the directors in each case.

SEC. 7. The board of directors shall have the power to fill any vacancy occurring in their number, or in the offices of secretary and treasurer; but any person elected to fill a vacancy in the board of directors shall hold office only until the annual meeting of the stockholders next ensuing is held, when his successor shall be chosen.

SEC. 8. The number of directors may at any time be increased by the vote of the board of directors, but not to exceed 21; and in case of any such increase, the board of directors shall have the power to elect any such additional directors to hold office until the next meeting of the stockholders, when their successors shall be elected.

SEC. 9. Meetings of the board of directors may be called at any time by the president of the company or by one-fourth of the members of the board. Each director shall be notified in writing of the time and place of all meetings of the board at least 24 hours prior thereto. Any director may, however, in any instance waive such notice in so far as he is concerned.

ARTICLE III.—*Committees.*

SEC. 1. The board of directors shall have power, by resolution to be passed and approved of by a majority of the whole board, to name an executive committee of not less than 5 members, which committee shall have full power to conduct the general details and management of the business and the affairs of the company in all matters, save only the mortgaging of the company's property, and the sale of any of the company's franchises or plants, or the acquisition of any new plants or factories.

SEC. 2. The board of directors may appoint such other committees as it may deem desirable, with full power on the part of such committees to conduct and conclude any ordinary and current business of the company, which may by the board of directors be delegated to such committees.

ARTICLE IV.—*The president and vice-presidents.*

SEC. 1. The president shall be the chief executive officer of the company. He shall preside at all meetings of stockholders and of the board of directors, sign all certificates of stock and all contracts on behalf of the company, and perform all such other duties as are incidental to his office. He shall be ex-officio a member of the executive committee, and shall prepare a report for the annual meeting of the stockholders, which shall be submitted to the board of directors for approval before submission to such annual meeting.

SEC. 2. He shall have charge of the corporate seal of the company, and shall in the course of its business affix the same to all stock certificates issued, and when authorized by the board of directors or the executive committee so to do, he shall affix the seal, or cause the same to be affixed, to contracts and other instruments in writing.

SEC. 3. Vice-presidents: In case of the absence or disability of the president, the duties of the office shall be performed by one of the vice-presidents, who shall have such powers and perform such other duties as may be prescribed.

ARTICLE V.—*The secretary.*

SEC. 1. The secretary shall keep the minutes of the proceedings of the meetings of the stockholders, of the meetings of the board of directors, and of the meetings of the executive committee, as well as of the meetings of all other committees, as may be required, and shall be the custodian of the same. He shall also record all the votes of the directors and stockholders in a book to be kept for that purpose.

SEC. 2. He shall, under the instructions of the board of directors, give all notices required for the election of directors and meetings of the directors and stockholders.

SEC. 3. He shall have charge of all records, resolutions and papers, after they have been acted upon by the board of directors, and also of all letters and all papers pertaining to the affairs of the company.

SEC. 4. The transfer books of the company shall be kept under his direction, and he shall also perform such other duty as he may be charged with by the board of directors or the president.

SEC. 5. In the absence of the secretary the board may appoint a secretary pro tem, to make a record of its meetings and to perform such other functions pertaining to such office as it may direct.

ARTICLE VI.—*The treasurer.*

The treasurer shall receive and have charge of all funds belonging to the company, and shall deposit the same to the credit of the company in such place or places as the board of directors may from time to time direct, and shall disburse the same under their direction, either general or specific, or the general or specific direction of the executive committee.

ARTICLE VII.—*Transfer and registration of stock.*

SEC. 1. All transfers of stock shall be signed by the stockholders, in person or by attorney, in a book to be provided for that purpose. At the time of transfer the old certificate of the shares transferred shall in each case be surrendered and canceled and a new certificate issued in lieu. All certificates of stock issued shall bear the seal of the company, and shall be signed by the president, or one of the vice-presidents, and the treasurer. The board of directors may make suitable regulations providing for the registration of certificates of stock, and may from time to time alter or amend such regulations as the board may see fit.

ARTICLE VIII.—*Dividends and bonded debt.*

SEC. 1. All dividends upon the preferred stock shall be declared quarterly, and shall be made payable at such times as may be determined by the board of directors. Dividends upon the common stock shall be declared and be made payable as the board of directors may determine out of the surplus profits of the company after necessary provision shall have been made for the payment of dividends upon the preferred stock, and also for a reserve for working capital.

SEC. 2. No bonded or mortgage debt shall be created by the company upon its property, without the consent in writing first obtained of the holders of at least two-thirds of the preferred shares, as well as the holders of a majority of the general or common stock.

ARTICLE IX.—*Order of business.*

SEC. 1. The order of business at meetings of directors shall be as follows:

(1) Reading of unapproved minutes of previous meetings of the board.
(2) Reports of officers.
(3) Reports of committees.
(4) Performance of the business for which the meeting was specially called, if any.
(5) General unfinished business.
(6) New business.
(7) Miscellaneous business.

ARTICLE X.—*Amendments.*

SEC. 1. The directors shall have power to make, alter, and amend the by-laws at any time, at a regular or special meeting, providing notice in writing shall have been previously given to each member of the board of the fact that it is proposed at such meeting to offer an amendment or amendments to the by-laws, subject, however, to the right on the part of the stockholders at any meeting thereafter, which may be called for that purpose, to alter or repeal such amendment or amendments.

SEC. 2. All alterations or amendments of the by-laws shall be reported to the next succeeding meeting of the stockholders, whether the same be a special or general meeting, and without regard to the purposes for which said meeting may have been called; and at any such meeting the stockholders may approve or disapprove of such amendments as in section 1 provided.

MANNER IN WHICH THE VARIOUS PROPERTIES WERE PAID FOR.

Q. (By Mr. FARQUHAR.) In the effort to take over or syndicate these properties did your promoters offer all cash, or preferred and common stock?—A. In general, we gave the manufacturers the choice; we allowed them to decide as to which they preferred.

Q. What was the usual preference of those that came in?—A. In some cases they took all cash, but the preference was to take part cash and part stock.

Q. Was your all-cash figure near or approximating your preferred stock rate?—A. There was no rule. It was a question of determining the value of the property, and in one instance we paid more cash than the amount of tangible assets, but the final adjustment had to comply to the condition that no preferred stock should be issued in excess of tangible assets.

Q. (By Mr. JENKS.) Was that because you were unable to buy for less than the amount of the tangible assets?—A. Yes.

Q. (By Mr. FARQUHAR.) In all your cash propositions you were always inside of the preferred and common offer?—A. We had to keep within that limitation, and at one time the amount of tangible assets was below the proposed issue of preferred, and in that case I had to deposit about a quarter of a million dollars of cash, or cash equivalent, in order to keep within the limitation of having the preferred equal to the tangible assets.

CAPITALIZATION OF THE RUBBER GOODS MANUFACTURING COMPANY.

Q. (By Mr. JENKS.) What was the capitalization of your company?—A. The total capitalization is about $8,000,000 preferred and $17,000,000 common stock.

Q. You say it is about $8,000,000. I infer then than the tangible assets are exactly equal to the amount that was really issued. You have an authorized capitalization of $8,000,000 preferred?—A. Our authorized issue is $25,000,000 preferred and $25,000,000 common. The original issue was about $6,000,000 preferred and $13,000,000 of common. The company has earned over and above dividends declared, $1,400,000. We then took in new properties. We issued for these properties more preferred stock than the amount of tangible assets, but we did this only because we more than met this excess by means of our earnings of $1,400,000. The company has always kept within the original plan of the preferred stock being equal or less than the amount of tangible assets.

Q. In your first issue, then, the preferred stock equaled the tangible assets?—A. Exactly.

Q. And then since then you have increased the preferred stock as your tangible assets and surplus accumulated?—A. Yes; but the increase has been due to the buying in of other properties, and we have always kept within that limit.

Q. Now, you started with $13,000,000 of common. How did you happen to issue so much as that? That is more than double the amount of preferred, and in accordance with the method you have outlined to us, it should have been about the same?—A. No, I said that the issue of common stock was to be on the 7 per cent basis; that is, it would be $14\frac{2}{7}$ times the earnings of the previous year. We have always kept within that limitation. The reasons why the issue of common is larger than the issue of preferred, a fact true also in the case of other capitalizations, are two in number: First, that we limited our issue of preferred stock to the amount of tangible assets; and second, the Rubber Goods Manufacturing Companies own a large number of patents of very great value, say 400 patents, and have trade-marks of great value, and consequently the good will is relatively of more importance than the good will of most other industries.

Q. And also at the beginning, at any rate, that high issue of common stock was allowable, since you might still keep within this 7 per cent allowed?—A. Yes, and since the company was organized, say over 2 years ago, the company has earned on about that basis. They have earned their dividend on the preferred, and have earned about 7 per cent on common—showing that that basis of capitalization was justified. Four per cent per annum has been paid.

METHOD OF ORGANIZING THE UNITED STATES RUBBER COMPANY.

Q. Now, will you take up the organization of some of the other companies. Take, for example, the United States Rubber Company. How does that differ from the Rubber Goods Manufacturing Company?—A. The United States Rubber Company was organized on a different plan. The organization of the United States Rubber Company was initiated by an agreement under which parties subscribed $1,500,000

for the purpose of acquiring interests in rubber companies in the manufacture of rubber boots and shoes in the United States, and this fund was to be invested by me.

Q. (By Mr. FARQUHAR.) What is the date of this agreement?—A. That agreement was dated January 27, 1892, the agreement being made between the subscribers and the banking firm of H. B. Hollins & Co. There was no provision as to what the subscribers should receive, but it was stated that a company would be organized to be known as the United States Rubber Company, which should issue an 8 per cent preferred stock, and that the profits of the promoters would be limited to 5 per cent upon the total issue, and that the 5 per cent should cover the charges of lawyers, accountants, appraisers, and services of promoters and bankers attending the organization of the company.

Q. (By Mr. JENKS.) The pay of promoters in that case then was strictly limited to 5 per cent of the capitalization, so that there was no chance of added profit, provided they could buy cheaper for cash, as there was in the case of the Rubber Goods Manufacturing Company?—A. That is correct. In this instance the promoter received a definite profit, and didn't run any risk.

I will put in as an exhibit a memorandum which gives the basis of the organization of the United States Rubber Company, in which it was provided that preferred stock should be limited to the amount of tangible assets, while the tangible assets were to be determined as follows: The value of the plant, machinery, tools, and fixtures were to be appraised by three men, Charles Stewart Smith, a prominent manufacturer, ex-Comptroller Henry W. Cannon, and Charles H. Dalton, a prominent manufacturer, who, I believe, is president of the Arkwright Club of Boston.

The value of all other assets above liabilities is to be guaranteed by the manufacturer whose interest shall be acquired, and in this instance, as in the case of the Rubber Goods Manufacturing Company, each vendor deposited as collateral security for that guarantee 15 per cent of the stock of the United States Rubber Company which he received.

Q. The general plan, then, of this company was substantially the same as that of the Rubber Goods Manufacturing Company, except the pay of the promoters?—A. Substantially.

Q. What was the capitalization of the United States Rubber Company?—A. The authorized capital was $25,000,000 preferred and $25,000,000 of common stock. The original issue was about $13,000,000 of preferred and $13,000,000 of common.

Q. Was not the plan adopted with reference to common stock, that the amount should be limited on the basis of 7 per cent earnings?—A. No. In the case of the United States Rubber Company it was provided that the amount of common stock should be substantially equal to the issue of preferred, but the United States Rubber Company had comparatively few patents; and while their trade-marks are of great value, the trade-mark on a shoe is not as valuable as a trade-mark on a tire, because you can get home with a leaky shoe, and you can't with a punctured tire.

EXHIBIT 2.—*Memorandum and certificate of organization of the United States Rubber Corporation.*

[Exhibit A.]

It is intended to form a company to be styled "The United States Rubber Corporation," or to be known by some other appropriate title, which company shall have power to acquire the various plants or interests therein now engaged in the manufacture of rubber boots or shoes within the United States.

The company shall have the right to issue $25,000,000 8 per cent preferred stock; $25,000,000 common stock.

Preferred stock shall be issued in payment for each manufacturing property to an amount which at par shall represent:

A. The value of the plant, machinery, tools, and fixtures, by an appraisement to be made by Charles S. Smith, Henry W. Cannon, and Charles H. Dalton, they to employ such experts as they may select.

B. The value of all other assets, above liabilities, guaranteed by the manufacturer whose interest shall be acquired.

In case only a portion of the whole interest in any of said manufacturing properties be acquired, a pro rata amount of preferred stock, as above provided for, shall be issued therefor.

The common stock shall be issued, among other things, to represent the increased earning capacity by reason of the consolidation of the interests acquired, and shall be issued to an amount equal to the issue of preferred stock.

Provision shall be made by the United States Rubber Corporation that 5 per cent of the total capital stock of said corporation shall be delivered to Messrs H. B. Hollins & Co., bankers, of the city of New York, in payment of the charges of lawyers,

accountants, appraisers, experts, and services of bankers, and all other services attending the organization of said corporation; said payment of 5 per cent, however, to be made to Messrs. H. B. Hollins & Co. only whenever and as from time to time the stock of said corporation is issued, payable in common stock.

Additional common stock to the amount of $1,000,000 shall be issued full paid, in consideration of the transfer of the properties or of interests therein to the consolidated company, whenever and as soon as the conditions of "Addendum 1" shall have been complied with. The said $1,000,000 in common stock shall be deposited with the Central Trust Company of New York, and be by it delivered as directed by Messrs. H. B. Hollins & Co., bankers, upon payment by them to the consolidated company of a subscription of $1,000,000 of preferred stock at par, which payment Messrs H. B. Hollins & Co., at the request of the proprietors of the several manufacturing interests which shall be acquired, have agreed to make, as soon as the conditions set forth in "Addendum 1" shall be fulfilled, the acceptance by said proprietors and said H. B. Hollins & Co. of the plan herein, and in "Addendum 1," set forth shall be evidence of such request and agreement.

Addendum 1.

The general plan provided for in Exhibit A shall be operative and shall go into effect whenever there shall have been acquired, either after the ownership or majority interest in manufacturing properties, the value of whose assets, measured by the authorized issue of preferred and common stock at par, as set forth in Exhibit A, shall equal $15,000,000.

Certificate of organization of the United States Rubber Corporation.

We, the undersigned, William H. Trenholm, Chester H. Chapin, John P. Townsend, of the city, county, and state of New York, William Barbour, of the city of Paterson, state of New Jersey, do hereby associate ourselves into a company under and by virtue of the provisions of an act of the legislature of the state of New Jersey, entitled "An act concerning corporations," approved April 7, 1875, and the several supplements thereto and acts amendatory thereof, for the purpose hereinafter mentioned, and we do hereby assume to and for said company all the rights, powers, and privileges granted to and conferred upon corporations by the laws of the said state of New Jersey, and do hereby certify and set forth as follows:

I. The name assumed to designate such company and to be used in its business and dealings is United States Rubber Corporation.

II. The places in the state of New Jersey where the business of said company is to be conducted are the city of New Brunswick, in the county of Middlesex, and also those other cities, towns, and villages in said state in which said company may hereafter deem it expedient to conduct its business, and the city and county in which the principal part of the business of said company within said state is to be transacted and conducted is the said city of New Brunswick, in the county of Middlesex. The part of the business of the said company to be carried on without the said state of New Jersey is as hereinafter stated. The city, county, and state in which the principal office or place of business of the said company, out of the state of New Jersey, is to be situated, is the city, county, and state of New York, and the said company also proposes to carry on operations in all of the states and territories of the United States and in foreign countries.

The objects for which the said company is formed are the making, purchasing, and selling, either on its own account or commission, rubber boots and shoes, or all goods of which rubber is a component part, and the various materials entering into the manufacture of any such goods, and also the acquiring and disposing of rights to make and use any and all such goods and materials, and the doing and transacting all acts, business, and things incident to or relating to or convenient in carrying out its business as aforesaid.

The portion of said company's business which is to be carried on out of the state of New Jersey is its financial business generally, and as well such portion of its manufacturing business and the business of buying and selling as it may, from time to time, find convenient.

III. The total amount of the capital stock of said company is $50,000,000. The number of shares into which the same is divided is 500,000 and the par value of each share is $100. The stock of the said company is to be of two kinds, to wit, general stock and preferred stock. The amount of the preferred stock shall at no time exceed one-half of the total outstanding capital stock of the company. The holders

of the preferred stock shall be entitled to receive semi-annually as dividends all net earnings of the company in each fiscal year up to, but not exceeding, 8 per cent per annum upon all outstanding preferred stock before any dividend shall be set apart or paid on the general stock, but such dividends upon the preferred stock shall not be cumulative, and the preferred stock shall not be entitled to participate in any other additional earnings or profits. In case of liquidation of the company, the holders of preferred stock shall be entitled to receive cash to the amount of their preferred stock at par before any payment in liquidation is made upon the general stock, and shall not thereafter participate in any of the property of the company or proceeds of liquidation. The amount of capital stock with which the said company is to commence business is the sum of $100,000, divided into 1,000 shares of the par value of $100 each, of which 500 shares are to be preferred and the remaining 500 shares general stock. Additional issues on account of the total authorized capital stock may be made from time to time, either in preferred or general stock, or both, in such sums and in such manner as the board of directors of the company may determine, and in accordance with law and with this certificate.

IV. The names and residences of the stockholders and the number of shares held by each are as follows:

Names.	Residences.	Number of shares.
William L. Trenholm		200
Chester H. Chapin		250
John P. Townsend		150
William Barbour		300

V. The period at which the said company shall commence shall be the day of the recording and filing of this certificate in the manner and place provided by law. And the said company shall terminate at the end of 50 years from the date of said record and filing.

In witness whereof we have hereunto affixed our hands and seals, respectively, this —— day of ———, in the year 1892.

METHOD OF ORGANIZING THE AMERICAN CHICLE COMPANY.

Q. (By Mr. Jenks.) Now, will you take up the third company, the Chicle Company, and tell the way in which its promotion and organization differ from the others?—A. There is a decided difference as to the character of the business of the Chicle Company and the other companies mentioned. The most valuable property of the Chicle Company is its trade-marks. The trade-marks of the Chicle Company are of far more value than those of any of the other companies, the earning capacity depending principally on their value.

It was provided that there should be an issue of $3,000,000 of preferred stock and $6,000,000 of common stock, but in this instance the preferred stock is issued in excess of tangible assets.

Q. Was there an appraisement of tangible assets?—A. There was not a formal appraisement from the fact that the main item of value was the earning capacity, but the tangible assets were stated, and the value accurately ascertained by taking advantage of the knowledge each vendor possessed as to the value of his neighbor's property. The fact was, that in case of the American Chicle Company, it was a very easy matter to ascertain the value of tangible assets, but the principal value was the earning capacity.

Q. About how did the preferred stock compare with the value of the tangible assets?—A. Well, the preferred stock in round figures was 3 times the amount of tangible assets.

Q. And the amount of common stock was double that of preferred?—A. Double that of preferred.

Q. What did the results show as to the capitalization?—A. Well, it has been shown that the capitalization of the American Chicle Company was on a conservative basis from the fact that the company has paid 8 per cent on its common stock, and the market price of the common stock, which is to a large extent an indication of its character (as in this instance it is not subject to manipulation) is $80 per share.

Q. What is the preferred?—A. Preferred is about the same price, preferred being a 6 per cent stock; but the company earns about 6 times that dividend on the preferred stock, showing that the preferred stock capitalization was on a conservative basis as compared with the earning capacity.

THE PAY OF PROMOTERS IN THE CASE OF THE AMERICAN CHICLE COMPANY.

Q. Now, will you compare this Chicle Company with the other two companies as regards the way in which the promoters received their pay?—A. In the case of the Chicle Company, a fixed amount of capitalization was provided, namely, $3,000,000 of 6 per cent cumulative preferred and $6,000,000 of common stock, and with that stock the properties were purchased. The promoters and bankers got what was left. The vendor was given all the facts in order that he would have a thorough knowledge of the value of the securities which he was to obtain, so that when he turned over his property he knew the earning capacity of the combined company, and had a thorough knowledge of what he was to receive. Results have shown that there has been over 8 per cent earned on the common stock and that the capitalization was a conservative one.

Q. Each one of the vendors knew what other companies would come in, what the capitalization was to be, and understood that the promoters were buying at their own risk in this way?—A. Yes.

Q. I suppose in that case also it was within the province of the promoters to buy for cash at as low rates as they could and keep the stock for their own use?—A. Yes; they were free to do that.

EXHIBIT 3.—*Subscription memorandum—American Chicle Company.*

(To be incorporated under the laws of the State of New Jersey.)

Capitalization: 6 per cent cumulative preferred stock, $3,000,000; common stock, $6,000,000. (To be issued for the acquisition of the property below named.)

Now offered for subscription: Preferred stock $1,000,000, accompanied by common stock $500,000.

The American Chicle Company is formed for the purpose of purchasing the following concerns engaged in the chewing gum industry: Beeman Chemical Company, of Cleveland, Ohio; W. J. White & Son (Yucatan), Cleveland, Ohio; Kis-me Gum Company, Louisville, Ky.; J. P. Primley, Chicago, Ill.; S. T. Britten & Co., of Toronto, Canada; Adams & Sons Company, of Brooklyn, N. Y.

Of the last-named company, the new company will at the outset acquire all the outstanding capital stock, excepting 22 shares of preferred and 32 shares of common stock, having together a par value of $1,350 out of a total capital of $1,000,000.

The following is a certificate of The Audit Company of New York as to the earnings of said properties:

We have made a complete examination of the books and accounts of the several concerns engaged in the manufacture of chewing gum for the periods set forth, respectively, as follows:

Adams & Sons Company, Brooklyn, N. Y., for the 5 years from April 1, 1893, to April 1, 1898.

W. J. White & Son, Cleveland, Ohio, for the 10 years from January 1, 1889, to January 1, 1899.

Beeman Chemical Company, Cleveland, Ohio, for the 5 years from January 1, 1894, to January 1, 1899.

J. P. Primley, Chicago, Ill., for the 7 years from January 1, 1891, to January 1, 1899, except the years 1895 and 1896 (the years 1895 and 1896 having been omitted because the business for those 2 years, by reason of certain unsuccessful experiments, could not fairly be said, as stated to us, to be properly indicative of the general condition of the business).

Kis-Me-Gum Company, Louisville, Ky., for the 3 years from January 1, 1896, to January 1, 1899 (being the entire time which said company has been in business).

And certify that our audit of the books and accounts of said concerns shows average annual net profits for the periods covered in excess ot $560,000. The Audit Company of New York, by Thomas L. Greene, manager. Attest: E. T. Perine, secretary.

Dated May 15, 1899.

This amount does not include the net earnings of S. T. Britten & Co., which are certified by them as amounting to an average of more than $4,000 per annum for the past 5 years.

The average annual net earnings of said concerns, therefore, as thus certified, are in excess of three times the amount of the annual dividend on the preferred stock, and more than sufficient to equal annually 6 per cent on the preferred and exceeding 6 per cent on the common stock.

There is on file with the Manufacturers' Trust Company of Brooklyn a statement of certain of the above-named manufacturers to the effect that, in their opinion, the net earnings under consolidation will not be less than $750,000 per annum.

If these expectations are realized, the net earnings on the common stock would be in excess of 9 per cent per annum.

We whose names are hereunto subscribed severally, but not jointly, agree with the Manufacturers' Trust Company, and with each other, to pay the amount of cash set opposite our respective signatures, or such lesser amounts as may be allotted to us, respectively, as follows:

Subscriptions shall be binding and 10 per cent payable to the Manufacturers' Trust Company, at 198 Montague Street, Brooklyn, or at 20 Broad Street, New York, to the order of Messrs. Flint & Co., as soon as subscriptions hereunder and under like papers aggregating $1,000,000 have been accepted and notice of allotment given.

The remainder shall be paid to said trust company to the like order of Messrs. Flint & Co. as and when called for by them.

Each accepted subscription of $100,000 will entitle the subscriber to $100,000 par value in preferred stock and $50,000 in common stock. Subscriptions for larger or smaller amounts shall participate in the like proportion.

In case of failure of any of the undersigned to make payment hereunder, such subscription and all rights thereunder may be sold by the Manufacturers' Trust Company at public or private sale at any time or place and without notice; but the delinquent shall nevertheless remain liable for any deficiency arising under and for any expenses of such sale.

The right is reserved to the Manufacturers' Trust Company, by and with the approval of Messrs. Flint & Co., to allot less than the amount applied for hereunder or to reject any subscription.

In case, for any reason, prior or subsequent to allotment, Messrs. Flint & Co. shall elect not to complete the purchase of the plants and properties, as in the foregoing memorandum provided, the Manufacturers' Trust Company may return to the respective subscribers, without expense to them, all amounts paid hereunder, and this agreement shall be void.

This agreement may be signed in several writings with the same effect as if all subscriptions were upon one paper, and shall bind the parties hereto, their successors, personal representatives, and assigns.

Name.	Address.	Cash subscribed.	Entitling subscriber to shares of stock.	
			Preferred.	Common.

AMERICAN CHICLE COMPANY.

(Organized under the laws of the State of New Jersey, June, 1899.)

Capital stock: Six per cent cumulative preferred stock, $3,000,000; common stock, $6,000,000.

The company has no indebtedness except for current bills and pay rolls not exceeding in the aggregate $20,000. Average cash in bank, $150,000.

Officers: President, W. J. White; vice-president, Geo. H. Worthington; chairman of the board, Thos. Adams, jr.; secretary and treasurer, Henry Rowley.

Directors: W. J. White, founder of the firm of W. J. White & Son, Cleveland, manufacturers of Yucatan Chewing Gum; E. E. Beeman, one of the original incorporators, late president of the Beeman Chemical Company, manufacturers of Beeman's Pepsin Gum; J. P. Primley, late proprietor of the J. P. Primley factory, Chicago, manufacturer of California fruit chewing gum; W. B. White, son of W. J. White, founder of W. J. White & Son, Cleveland; Thomas Adams, sr., director of Adams & Sons Co., Brooklyn, the discoverer of chicle, and the first to apply this article to chewing gum; Thomas Adams, jr., late president of Adams & Sons Co., and president of Railway Sales Company and Globe Automatic Selling Company; George H. Worthington, late secretary of Beeman Chemical Company, now president of the

Cleveland Stone Company, Cleveland, Ohio; T. L. Jefferson, late president of the Kis-Me-Gum Company, of Louisville, Ky.; Charles R. Flint, Flint & Co., New York; James C. Young, Jersey City, N. J.; S. T. Britten, late of the firm of S. T. Britten & Co., manufacturers of chewing gum, Toronto, Ontario.

The company has paid out of its net earnings to date the following dividends: September 15, 1899, preferred 1½ per cent, common 1½ per cent; December 30, 1899, preferred 1½ per cent, common 2½ per cent; April 1, 1900, preferred 1½ per cent, common 2 per cent.

The company owns the following properties, comprising all the important manufactories of standard chewing gum in the United States:

Beeman Chemical Company, of Cleveland, Ohio; Kis-Me-Gum Company, Louisville, Ky.; S. T. Britten & Co., Toronto, Canada; W. J. White & Son, Cleveland, Ohio; J. P. Primley, Chicago, Ill.; Adams & Sons Co., of Brooklyn, N. Y.

BASIS OF THE AMERICAN CHICLE COMPANY'S EARNING CAPACITY.

Q. (By Mr. Farquhar.) Now, will you explain to the commission wherein this extraordinary earning capacity developed whereby you issue preferred stock three times greater than the tangibility of visible property, and your common so much beyond your preferred? What element was there in your business there that brought out this remarkable earning capacity?—A. Well, it is the compensation that results from a putting out of good goods through a long series of years. The manufacturers interested in the Chicle Company were the first to use this Mexican product of chicle for the manufacture of gum, and for years they produced goods that the public found to be of superior quality, and for a series of years they spent hundreds of thousands of dollars in advertising their product; so that when they came together they brought together the trade-marks which represented the good will they had built up by honest methods, and there are, perhaps, 30,000,000 people who, when they want to chew gum, buy these brands, and that value, as demonstrated by the earning capacity, is of a permanent character, and the earning capacity is not dependent, except to a very slight extent, upon tangible assets.

THE CONSUMPTION OF CHEWING GUM.

Q. (By Mr. Clarke.) Is gum chewing recognized as a habit that people once addicted to continue?—A. I think so; and the increase in athletics and in the riding of bicycles has increased the consumption.

Q. Does not the low market value of the preferred and common stock depend somewhat upon the public apprehension that the habit may not continue?—A. Well, it would appear that the public are not very apprehensive on that point, from the fact that the common stock of the Chicle Company is selling way above the average price of most other common stocks.

Q. (By Mr. Jenks.) But it has been paying 8 per cent dividends, you say?—A. Yes; but at the same time $80 is a very high price for a common stock, and that is the most practical evidence one can have of public confidence in the shares.

THE PAY OF PROMOTERS.

Q. Which one of these 3 companies was organized first?—A. The United States Rubber Company was organized in 1892; the Rubber Goods Manufacturing Company in the winter of 1898—well, about December—and the American Chicle Company about 2 years ago.

Q. There seems to have been a growing desire on the part of promoters to take risks for their pay. In case of the first company, they took 5 per cent without risk, and later they took more risk?—A. There may have been a desire on the part of the vendors that they should be subject to risk.

METHOD OF ORGANIZING THE SLOSS-SHEFFIELD STEEL AND IRON COMPANY.

Q. As regards the methods of organization of the Sloss-Sheffield Steel and Iron Company, and the United States Bobbin and Shuttle Company, is there anything materially different from these points that you have brought out in these other 3 companies, particularly as regards the part the promoter takes in the organization?—A. No; in the case of the Sloss-Sheffield Steel and Iron Company, Mr. Frederic P. Olcott and myself acted as trustees, and under that plan it was provided that this new company should purchase additional properties, so that it was not, as in the other

cases, a case of a consolidation of large independent interests, but it was a provision whereby the Sloss-Sheffield Company obtained additional cash to buy additional mining properties and cash to construct more modern machinery.

Q. Was there any restriction limiting the preferred stock and common stock to the amount of tangible assets, or were the properties bought in at what was considered a fair valuation by the appraisers, without limitation being fixed in that way?—A. The properties were purchased at what were regarded as sound valuations, and the character of the business is such that, unlike the Chicle Company, they have no trade-marks or patents of any great value, so that the principal value in the case of the Sloss-Sheffield is in the tangible assets.

Q. (By Mr. Farquhar.) And in the location of the company?—A. Yes; the Sloss-Sheffield Company is located at a point where iron is produced at the very lowest cost.

Q. (By Mr. Litchman.) Where is that?—A. In the South—Birmingham.

THE AMERICAN CARAMEL COMPANY.

Q. (By Mr. Jenks.) Will you tell us, with reference to the American Caramel Company, whether there is any difference there as regards the methods of organization, pay of promoters, and so on?—A. No substantial difference.

Q. That business itself is like that of the American Chicle Company?—A. Quite similar. The value of the business is largely dependent on the value of the trademarks.

Q. How does the capitalization of that compare with the tangible assets?—A. The tangible assets are larger relative to the capitalization than in the case of the Chicle Company.

Q. What companies went into the organization of the American Caramel Company?—A. I will hand you the papers that cover all the details.

Exhibit 4.—*Subscription agreement and prospectus of Sloss-Sheffield Steel and Iron Company.*

(To be incorporated under the laws of the State of New Jersey.)

Authorized capital stock: Seven per cent non-cumulative preferred stock, $10,000,000; common stock, $10,000,000.

Proposed present issue: Preferred stock, $6,700,000; common stock, $7,500,000.

The company will make the proposed present issue of its stock for the purposes mentioned in the accompanying statement.

$2,100,000 of preferred stock and $2,200,000 of the common stock will now be disposed of.

July, 1899.

Subscription agreement.

We, whose names are hereunto subscribed, agree severally, but not jointly, with Messrs. Frederic P. Olcott and Charles R. Flint, of the city of New York, and with each other, to subscribe and pay to the Central Trust Company of New York, on demand, and to the order of said Frederic P. Olcott and Charles R. Flint, the amount of cash set opposite our respective signatures, or such lesser amount as shall be allotted to us respectively.

It is understood and agreed between the parties as follows:

I. Subscriptions hereunder shall be payable in installments as called from time to time by said Frederic P. Olcott and Charles R. Flint.

II. Each accepted subscription hereto shall, subject to the provisions hereof, entitle the subscriber to the amount of his subscription in the preferred stock of the new company at par, together with an equal amount of common stock.

III. The right is reserved to allot less than the amount subscribed hereunder and to reject any subscription.

IV. In case for any reason prior or subsequent to the payment of subscriptions hereunder it shall be determined not to proceed with the plan herein and in the accompanying statement set forth, the Central Trust Company of New York shall, on direction of said Frederic P. Olcott and Charles R. Flint, return to the subscribers all moneys paid hereunder, and this agreement shall be of no effect.

V. In lieu of the acquisition by the proposed new company of the title to or all of the capital stock of the properties mentioned in the accompanying statement, there may be acquired, in such cases as said Frederic P. Olcott and Charles R. Flint may designate, a majority of the shares of capital stock representing any of said properties; and further, the purchase of any of said properties so designated may be omitted and other property or properties may be purchased in substitution therefor. In any such event there shall be withheld an amount of cash or shares of the capital stock

of the proposed new company, or both, which, in the judgment of said Frederic P. Olcott and Charles R. Flint, shall fairly represent the value of any omitted property or of any outstanding and unacquired shares of capital stock.

VI. The moneys paid to the Central Trust Company of New York hereunder shall, subject to the provisions hereof, be applied under the direction and with the consent of said Frederic P. Olcott and Charles R. Flint to carrying out the plan outlined herein and in the accompanying statement.

VII. This agreement may be signed in several writings with the same effect as if all subscriptions were made upon one paper, and shall bind and benefit the respective successors, personal representatives and assigns of the subscribers.

Name.	Address.	Cash subscribed.	Entitling subscriber to shares of capital stock.	
			Preferred.	Common.

To Frederic P. Olcott and Charles R. Flint, Esqs.,
New York City.

Gentlemen: It is proposed to organize a corporation under the laws of the state of New Jersey, to be known as the Sloss-Sheffield Steel and Iron Company, to acquire the following properties, or the shares of capital stock representing the same:

Sloss Iron and Steel Company, of Birmingham, Ala.; The Philadelphia Furnace, of Florence, Ala.; The Ensley Furnace properties, of Sheffield, Ala.; The Gulf Coal and Coke Company property; The Brown Ore properties, of West Point, Tenn., and Russellville, Ala. (The Corona Coal and Coke Company property may also be acquired.)

Capitalization.—The company is to have an authorized capital stock of 7 per cent noncumulative preferred stock, $10,000,000; common stock, $10,000,000; total, $20,000,000, of which $6,700,000 preferred stock and $7,500,000 common stock will be now issued for the acquisition of plants and properties, repairs, opening new mines, new washing plants, new coke ovens, working capital, expenses of organization, and other cash requirements.

The balance of the capital stock of the new company, namely: $3,300,000 preferred stock and $2,500,000 common stock, will be reserved for the erection of a steel plant and working capital therefor and for the general purposes of the company.

The existing bonded indebtedness of the Sloss Iron and Steel Company is as follows: Six per cent bonds, $2,000,000; 4½ per cent bonds, $1,835,000; total, $3,835,000, and the properties of that company will be acquired by the new company subject to this indebtedness.

For the purpose of providing funds for carrying out the plan, it is proposed to sell for $2,200,000 in cash $2,200,000 preferred stock and $2,200,000 common stock at par.

The Sloss Iron and Steel Company is now engaged in delivering coal and iron at improving prices. Taking its output at the present ruling prices for iron and coal the result would be an annual net profit of $5.50 per ton on 210,000 tons pig iron, $1,155,000; on coal properties, rents, etc, $200,000, a total of $1,355,000, or more than sufficient to pay the interest on the outstanding bonds and 7 per cent on the proposed present issue of both preferred and common stocks, such amounts aggregating slightly less than $1,200,000.

When certain of the properties to be acquired are put in active operation it is estimated that the output of pig iron will be increased 150,000 tons per annum, which, at $5.50 per ton profit, would increase the annual earnings $825,000. It is also estimated that through the opening and development of new coal mines the earnings of the coal properties, including rents, etc., will be increased $200,000, which would make the surplus net earnings of the company, after paying the interest on the outstanding bonds, 7 per cent on the outstanding preferred stock and 7 per cent on the outstanding common stock in excess of $1,100,000.

Of the cash to be provided by this plan, $962,000 will be available for betterments, additions, improvements, and working capital. In addition to this amount, the new company will receive from the existing Sloss Iron and Steel Company, or have the benefit of, working capital of the value of not less than $400,000, consisting of manufactured product, cash and bills receivable, pig iron, ore and coke, and bonds and shares of stock at their market value.

This working capital will be sufficient for the needs of the new company.

You may rely upon the foregoing statements and estimates as conservative and likely to be exceeded by the actual results.

We inclose an indorsement of the foregoing views by Messrs. Rogers, Brown & Co., the well-known iron experts, together with a detailed description of the several properties to be acquired.

Dated New York, July, 1899.

Edmund W. Rucker.
John C. Maben.
Jos. Bryan.
Richard Mortimer.
W. H. Goadby.
Jno. A. Rutherford.

To Messrs. E. W. Rucker, J. C. Maben, and others.

Dear Sirs: We have read the foregoing communication and concur fully in the statements and estimates therein made.

We may say in addition that the export demand for Alabama pig iron has not been checked by the prices now ruling in the American markets. In the 10 days ending July 1, 1899, about 20,000 tons of Alabama iron were sold in various European and British ports at the prices which are used as the basis of the above estimates, and there is every prospect for a continuance of this demand in increasing volume. This is deemed by conservative authorities in the trade as an assurance that current prices, or near them, will be realized for a long time to come.

In relation to American markets, it may be said that contracts for pig iron on a large scale are now being made by leading manufacturers for delivery through the first half of 1900, and every condition of the iron business seems to warrant most hopeful views of the future. The current prosperity is the result in no sense of speculation, but is due to the awakening of enterprise and industry the world over.

July, 1899.

Yours, very truly,

Rogers, Brown & Co.

SLOSS-SHEFFIELD STEEL AND IRON COMPANY.

Description of properties to be acquired.

Sloss Iron and Steel Company: Including $400,000 working capital; 4 furnaces, capacity 200 tons per day each; 30,000 acres of ore lands, including the Red Mountain vein of from 12 to 15 feet in thickness developed at two points; 15,000 acres of coal lands fully developed—13 openings, capacity of 5,000 tons per day; 6,000 acres of coal lands at Bessemer, Ala., undeveloped; 1,000 coke ovens; 775 dwelling houses; 26 stores, warehouses, and office buildings; dolomite quarry, fully developed.

Philadelphia Furnace: One furnace at Florence, Ala., with a capacity of 200 tons per day.

Ensley Furnace: Two furnaces at Sheffield, Ala. Capacity, 200 tons per day each. Also a contract for the purchase of 14,000 acres of coal lands, with 200 coke ovens, and 13,000 acres of ore-bearing lands, limestone quarries, and other property, all of which coal and ore lands and coke ovens are now the subject of litigation.

Gulf Coal and Coke Company: Property consists of about 25,000 acres, containing the celebrated Pratt seam of coking coal, about 4 feet in thickness, as well as a seam of coal known as "Horse Creek" seam, about 8 feet in thickness. This property has been purchased from time to time from small holdings, covering a period of over 12 years, situated a few miles from the junction of the Northern Alabama Railroad with the Southern Railway. The property is easy of development, since both seams of the coal mentioned are above drainage level, and the extension of the road from Paris Junction, Ala., to a point about 7 miles south would furnish sufficient railroad frontage to easily put this property to a capacity of 5,000 tons per day within a reasonable time.

Corona Coal and Coke Company (if acquired to be by means of the issue of so much as may be necessary of the $3,300,000 of preferred and $2,500,000 of common stock reserved as aforesaid): Property is situated on the line of the Southern Railway, 70 miles west of the Birmingham district. The coal is hard coal, very widely known for domestic purposes and for steam use. It is especially adapted for shipping, owing to its hardness. This property consists of about 16,000 acres, developed to a capacity of about 1,200 tons per day; 6 openings and a full equipment of miners' houses, commissary, and main equipment.

Brown ores: Brown ore at West Point, Tenn., on the Louisville and Nashville Railroad, 29 miles north of Sheffield, containing 20,000,000 tons of ore, yielding 50 per cent metallic iron, now being worked regularly to supply Sheffield furnaces.

At Russellville, Ala., on the line of the Northern Alabama Railroad (Southern), located 21 miles south of Sheffield, 5,000 acres of brown-ore lands, partially developed, yielding 50 per cent metallic iron when well washed. The quantity of brown ore that can be mined from the Russellville district is not known, but it is estimated by various experts to be as much as 50,000,000 tons. This ore is also being used now at the Sheffield furnaces.

Recapitulation.

The Sloss-Sheffield Steel and Iron Company will then have (aside from the Ensley coal and ore lands and coke ovens): Seven blast furnaces, 1,400 tons capacity a day; 1,500 coke ovens; 62,000 acres of coal lands; 31,500 acres of brown and red ore lands; carbonate and dolomitic limestone quarries with inexhaustible supply; 1,200 tenement houses, and 31 stores, warehouses, and office buildings.

EXHIBIT 5.—*Prospectus, subscription, and underwriters' agreement of the U. S. Bobbin and Shuttle Company.*

It is proposed to organize a corporation under the laws of the state of New Jersey, called the "U. S. Bobbin and Shuttle Company," for the purpose of acquiring all the plants, franchises and other assets of the following manufacturers of bobbins and shuttles:

The James Baldwin Company, Manchester, N. H.; Fall River Bobbin and Shuttle Company, Fall River, Mass.; Wm. H. Parker & Sons, Lowell, Mass.; L. Sprague Company, Lawrence, Mass.; Woonsocket Bobbin Company, Woonsocket, R. I.

I.

These concerns supply bobbins to over 6,000 textile manufacturers, and do about 85 per cent of the business of the country, which, with advantages of skill, reputation, and desirable locations, will give the new company the control of the business at remunerative prices.

II.

The company is to be authorized to issue to the Industrial Trust Company, of Providence, R. I., a mortgage for $300,000, which shall be a first lien on all the real estate, plants, and franchises of the new company, to secure the payment of $300,000 20-year 6 per cent gold bonds, containing a provision for a sinking fund for their redemption at maturity, and giving the company the right to retire not to exceed $50,000 per annum, to be drawn by lot on 60 days' notice on any interest day, at 105 and accrued interest. No bonds other than those of this issue and no mortgage shall be at any time made, assumed, or guaranteed by the U. S. Bobbin and Shuttle Company without the consent of holders of record of 75 per cent in value of preferred stock of the U. S. Bobbin and Shuttle Company.

III.

The company is to be authorized to issue capital stock as follows: Of 7 per cent cumulative preferred stock, $800,000; of common stock, $1,200,000.

IV.

Of the authorized capital, as above stated, $200,000 of the preferred and $250,000 of the common stock are not at present to be issued, but will be available for the purpose of purchasing additional properties and plants or for contingent needs of the company.

V.

Three hundred thousand dollars of bonds, $600,000 preferred stock, and $950,000 of common stock, or so much thereof as may be necessary, are to be issued in the acquisition of properties as herein stated, and for working capital. But the aggregate of the bonds and preferred stock issued shall not exceed the actual appraised value of the tangible assets. The purchase price of the properties is to be determined by five

appraisers, to be named by the manufacturers and Mr. Charles R. Flint, except that the value of the real estate and buildings of the four corporations has already been fixed by the acceptance of appraisals made by Mr. Alexander S. Porter, of Boston. The manufacturers have agreed to take a large part of the pay for their respective plants in stock of the new company.

VI.

The net earnings of the constitutent companies for the past 2 years (exclusive of interest disbursements) have each year exceeded the $60,000 which will be required to pay the interest on the bonds and the dividend on the preferred stock to be issued, and the treasurer of each company has furnished a written estimate that the annual net earnings under the consolidation will aggregate $150,000 without including any increased demand for the products of the new company. This will be applicable as follows:

6 per cent interest on $300,000 first-mortgage bonds	$18,000
7 per cent dividend on $600,000 preferred stock	42,000
Sinking fund	15,000
Total	75,000
Leaving a surplus of	75,000
6 per cent dividend on $950,000 common stock	57,000
Leaving a net annual surplus of	18,000

VII.

The new company will be provided with a working capital consisting of raw material on hand, accounts receivable, cash and other quick assets, amounting in all to about $300,000, of which at least $100,000 will be fresh cash capital.

VIII.

To provide cash for the treasury of the new company and for carrying out the foregoing plan Mr. Charles R. Flint is authorized to offer for subscription $300,000 first mortgage bonds at par.

IX.

The number of directors of the company shall be 7, and those named by the manufacturers are: Mr. E. F. Coburn, the present treasurer of the L. Sprague Company, Lawrence, Mass.; Mr. James F. Baldwin, the present treasurer of James Baldwin Company, Manchester, N. H.; Col. H. Martin Brown, the present treasurer of the Woonsocket Bobbin Company, Providence, R. I.; Mr. Walter L. Parker, member of the firm of Wm. H. Parker & Sons, and president of the First National Bank, Lowell, Mass.; Mr. William H. Perry, the present treasurer of the Fall River Bobbin and Shuttle Company, and president of the Third National Bank of Providence, R. I.

The other 2 directors are to be selected by the bankers representing the subscribers to the bonds and preferred stock.

Plan of consolidation of the James Baldwin Company, Fall River Bobbin and Shuttle Company, William H. Parker & Sons, L. Sprague Company, and Woonsocket Bobbin Company (hereinafter called the "Manufacturers"), a corporation to be formed under the laws of New Jersey, with a total authorized capital stock not exceeding $2,000,000, of which $800,000 shall be 7 per cent cumulative preferred and $1,200,000 common.

The new company shall acquire, through the trustee, all the plants, property, and cash and other assets (hereinafter referred to as "properties") of every description of the manufacturers.

The value of the said properties shall be determined as follows: The 5 manufacturers shall each appoint 1 appraiser, and the trustee shall appoint a sixth appraiser, and the 6 appraisers so appointed shall audit the books of the manufacturers and appraise the value of their properties. The determination of 5 appraisers shall be

conclusive, it being understood that the representative of the property under appraisement shall have no voice so far as fixing the value thereof is concerned. In the event of either of the appraisers dying or becoming incapacitated before the completion of the appraisals, the party who appointed such appraiser shall appoint his successor.

In making the appraisals, the real estate and the buildings (exclusive of machinery, fixed or movable) shall be taken at the following respective values, being the values as fixed by Mr. Alex. S. Porter and others:

The James Baldwin Company	$59,982
Fall River Bobbin and Shuttle Company	36,625
William H. Parker & Sons	42,500
L. Sprague Company	111,333
Woonsocket Bobbin Company	85,700

The tangible assets, and particularly all special tools and appliances, shall be appraised on the basis of their actual value to the respective business of the manufacturers as going and operative concerns, irrespective of either their book or liquidating values.

In making the appraisals no allowance shall be made for the value of any franchises, labels and trade-marks, or for earnings or output.

In case any manufacturer is dissatisfied with the appraised value of book accounts and receivables, he may have them appraised at such value as he may elect, not exceeding the book value; provided he gives to the new company a secure guarantee for the collection within 1 year of the amount as so fixed.

All the present and hereafter to be acquired property, assets, and franchises of the new company shall be mortgaged to the Industrial Trust Company, of Providence, R. I., to secure an issue of $300,000 of bonds, such bonds to be 20-year 6 per cent $500 gold bonds, with provision for a sinking fund of at least $15,000 payable annually out of profits after payment of interest on bonds and dividends on preferred stock. Such fund to be held and invested by the trustee under the mortgage for the redemption of the bonds upon the maturity thereof. The company shall receive the interest and income of the said sinking fund.

The new company, however, shall have the right to retire the said bonds at 105 and accrued interest on any interest day in amounts not exceeding in the aggregate $50,000 in any one year. All bonds to be so retired shall be drawn by lot and 60 days' notice thereof shall be given. The sinking fund in the hands of the trustee shall be applied by him, subject to the above limitations, to the retirement of any bonds that the company may elect to retire.

The by-laws of the new company to provide that not more than 7 per cent annual dividends shall be paid on the common stock until all the said bonds shall have been redeemed, or a fund sufficient for the redemption thereof shall have been deposited with the trustee under the mortgage. Such by-law not to be altered without the consent of three-quarters in amount of all the stockholders of the company.

In the event of any increase or decrease of assets after the completion of the appraisals the purchase price to be paid by the trustee shall be increased or decreased accordingly, as determined by 5 of the appraisers as aforesaid, except in the case of real estate such increase or decrease is to be determined by Mr. Alex. S. Porter. In the event of any partial or total destruction of either of the plants by fire, or otherwise, prior to the conveyance to the trustee, the carrying out of this plan shall not be affected thereby, and in such case any question as to insurance, or otherwise, shall be adjusted between the trustee and manufacturers by vote of 5 appraisers as aforesaid.

As the plan contemplates the purchase by the trustee of the gross assets of the manufacturers at the appraised value thereof, less the amount of all debts and liabilities, direct and contingent (including mortages), the new company shall assume the payment of all such debts and liabilities. If, however, the debts and liabilities of any manufacturer shall exceed 60 per cent of the actual amount of quick assets as determined by the appraisers as aforesaid, the trustee shall have the right, at his election, to purchase at the gross value of assets, without the deduction and assumption of debts and liabilities, and to require the manufacturer to assume and sufficiently secure the payment of all such debts and liabilities. The manufacturers shall severally guarantee that the said debts and liabilities do not exceed the amount thereof appearing upon their books, and shall execute an agreement to assume and pay any excess over such amount that there may be.

The manufacturers shall be under no expense whatever in carrying out this plan, except for the expenses and charges, if any, of the appraisers respectively selected by them.

The new company shall be under no expense whatever in carrying out this plan, except for the corporation tax ($400 on $2,000,000 authorized capital), revenue

stamps, filing and recording fees, the printing or engraving of the bonds, certificates of stock and other necessary papers, and the actual necessary cash disbursements of the trustee, his principals, and counsel incurred after the date hereof.

The new company shall commence business with at least $100,000 in cash in the treasury for working capital, the same to be furnished by the trustee.

The charter of the new company shall provide that (except as aforesaid, and excepting purchase-money mortgages covering only specific properties that may thereafter be purchased) no mortgage, bonded indebtedness, or preferred stock can be issued unless with the consent of three-quarters in amount of the capital stock actually issued and outstanding.

The new company shall have 7 directors; 2 to be selected by the trustee, and 1 by each of the 5 manufacturers, and the 7 directors so selected shall be duly elected at the first or organization meeting of the company.

All the capital stock of the manufacturers that are corporations shall be transferred by their stockholders to the trustee for a nominal consideration, and shall be by him transferred to the new company.

U. S. Bobbin and Shuttle Company.

Bond subscription agreement.

We, the undersigned, in consideration of our mutual promises and agreements, and for other good and valuable considerations, do hereby agree with Mr. Charles R. Flint, of New York, and with each other, to subscribe for and pay the amount set opposite our respective names for bonds of the U. S. Bobbin and Shuttle Company.

It is understood and agreed by the different parties as follows:

Each subscriber hereto shall, upon notification of allotment, pay to the Industrial Trust Company, of Providence, R. I., an amount equal to 10 per cent of his or her subscription, the balance to be due and payable on or after July 20, 1899, as and when called for by Mr. Charles R. Flint.

Each subscriber shall receive from the Industrial Trust Company, in consideration of his subscription hereto, at the time of payment of said 10 per cent, an assignable certificate of the Industrial Trust Company entitling the holder to 20-year 6 per cent first mortgage gold bonds of the U. S. Bobbin and Shuttle Company, which at par shall equal the amount of their subscriptions, subject to completion of payment in accordance with the terms of this subscription.

In case of failure of any of the undersigned to make payment hereunder, such subscription and all rights thereunder may be sold by the Industrial Trust Company at public or private sale at any time or place, and without notice; but the delinquent shall nevertheless remain liable for any deficiency arising under and for any expenses of such sale.

The right is reserved to Charles R. Flint to allot less than the amount applied for hereunder or to reject any subscription.

In case, for any reason, prior or subsequent to allotment, Mr. Charles R. Flint shall elect not to complete the purchase of the plants and properties as in the foregoing memorandum provided, the Industrial Trust Company may return to the respective subscribers, without expense to them, all amounts paid hereunder, and this agreement shall be void.

This agreement may be executed in separate writings with the same effect as if all the signatures were upon one, and will bind and benefit the respective legal representatives, successors, and assigns of all subscribers.

In witness whereof we have hereunto set our hands this —— day of ——, 1899.

Name.	Address.	Amount.

This agreement, made this —— day of April, A. D. 1901, by and between the persons who have subscribed their names hereto or to a counterpart hereof as depositors (hereinafter called "the depositors"), of the first part, and Industrial Trust Company, a corporation created by the general assembly of the state of Rhode Island, and located in the city and county of Providence, in said state (hereinafter called "the Trust Company"), of the second part, witnesseth:

That, whereas the several depositors are holders of common shares of the capital stock of the U. S. Bobbin and Shuttle Company, and desire to deposit with the Trust Company the number of shares of such stock set opposite their respective names hereto for the purposes hereinafter set forth; now, therefore, this agreement witnesseth:

ARTICLE 1. The depositors, in consideration of the sum of $1 to each of them by the Trust Company in hand paid, the receipt whereof is hereby acknowledged, and for other valuable considerations, hereby severally agree to forthwith deposit with the Trust Company, either indorsed in blank or accompanied by duly executed transfer in blank, certificates for the number of shares of common stock of the U. S. Bobbin and Shuttle Company respectively set opposite the several signatures hereto of the parties of the first part in the column headed A, receiving therefor certificates of deposit of the Trust Company in the form hereto annexed marked "X."

Such certificates of stock shall remain with the Trust Company until the 1st day of April, 1902, and shall thereafter be delivered by the Trust Company to the respective depositors, or their assigns, on demand, upon surrender of the certificates of deposit above mentioned duly indorsed for cancellation.

The voting power on any such stock deposited with the Trust Company in accordance with this article 1 shall remain with the depositor.

ART. 2. The depositors, in consideration as aforesaid, severally further agree to deposit forthwith with the Trust Company, either indorsed in blank or accompanied by duly executed transfer in blank, certificates for the additional number of common shares of capital stock of the U. S. Bobbin and Shuttle Company, also set opposite their respective signatures hereto in the column headed B, receiving therefor from the Trust Company its deposit certificates in the form hereto annexed marked "Y."

Such additional certificates of said stock shall be held and deposited by the Trust Company as follows:

(*a*) The depositors hereby appoint American Industrials Company, a corporation organized under the laws of the state of New Jersey, sales agent for said depositors, and they, each for himself, do hereby authorize the sale by said sales agent of any and all shares of stock deposited as aforesaid under this article 2 of this agreement at any time on or before March 31, 1902, at the net price of $75 per share for the first 10 per cent of stock sold, $80 per share for the second 10 per cent of stock sold, $85 per share for the third 10 per cent of stock sold, $90 per share for the fourth 10 per cent of stock sold, and $100 per share for any remaining shares of stock sold.

(*b*) Whenever and as often as the Trust Company shall have in its possession, as proceeds from the sales of stock deposited under this article 2, the sum of $50,000, the Trust Company shall distribute pro rata to and among the holders of its certificates "Y," issued hereunder, the proceeds so held by it, less one-half of 1 per centum of such proceeds to be deducted by said Trust Company as and for its compensation hereunder, and less the expenses, if any, of the execution by the Trust Company of the trusts hereof. Such payments shall be made by the Trust Company to the depositors or their assigns upon demand and only upon surrender of the Trust Company's certificates "Y," duly indorsed for cancellation, and the Trust Company shall thereupon issue its new deposit certificates "Y" for the number of shares of stock yet remaining unsold.

(*c*) On the 1st day of April, 1902, the Trust Company shall distribute the stock remaining in its possession deposited under this article 2, and the money, proceeds of sales, less such sums as may be due the Trust Company for its compensation or for expenses incurred in and about the trust, to and among the depositors or their assigns, pro rata, upon surrender and cancellation of its deposit certificates "Y." In case of such distribution resulting in fractional parts of shares, the Trust Company shall adjust such fractional parts, as between the respective depositors hereto, by payment for any fractional part of a share less than half a share at the price at which the last sale of such stock shall have been made, and by demanding and receiving from the depositor owning any fractional part of a share greater than half a share, payment for such fractional part at the price at which the last sale of such stock shall have been made. In the case of any fractional amount equaling half a share exactly, the Trust Company shall name the depositor who shall be required to take this half share, paying therefor the price at which the last sale of such stock shall have been made. It being understood that the Trust Company in making this adjustment is acting as the agent for all the depositors, and is entitled to hold all the shares of stock belonging to any depositor until the amount adjudged by the Trust Company to be due it from the said depositor under this paragraph shall have been paid.

ART. 3. Any dividends which may be received by the Trust Company on shares of stock deposited with it hereunder, shall be paid by it pro rata to the holders of its deposit certificates "X" and "Y," representing the shares of stock on which such dividends shall have been paid, as such holders appear registered with the Trust Company, as provided in article 6 hereof.

ART. 4. It is understood and agreed that the Trust Company shall receive for its services hereunder a sum equal to one-half of 1 per centum of the proceeds of the sale of the stock deposited under article 2 hereof and sold by said sales agent as aforesaid, but said compensation for services in no case to be less than the sum of $1,000. In case the aforesaid percentage shall be less than the sum of $1,000, the balance of compensation due to the Trust Company hereunder shall be paid by the respective depositors pro rata to the number of shares of stock deposited by them under this agreement, and the Trust Company shall not be under obligation to deliver certificates to the depositors until all the sums due the Trust Company for compensation and expenses shall have been paid to it.

ART. 5. It is understood and agreed that the voting power on any stock deposited under article 2 of this agreement shall remain with the depositor making the deposit of such stock, and in case the Trust Company shall, in the execution of the trusts hereof, have had any stock transferred to itself, it shall give and deliver its voting proxy to the depositor of such stock or his assigns on demand.

ART. 6. It is understood and agreed that each depositor and his assigns shall from time to time notify the Trust Company of the number of shares represented by the certificates "X" and "Y," or either of them, held by him, and of his post-office address to which he desires the Trust Company to send notices of all distributions either of stock or the proceeds of sales of stock and all notices of dividends, and the Trust Company shall keep a register of such depositors and of the information required to be furnished by them as aforesaid, and shall not be liable for failure to give notices or for any error or omission in the payment of dividends except such failure, error, or omission shall be to such registered certificate holder, and then only in case of failure, error, or omission to act in accordance with the registered information aforesaid.

ART. 7. All stock to share in the benefits of this agreement shall be deposited with the Trust Company on or before April 30, 1901.

In witness whereof, the Trust Company has caused its corporate seal to be hereto affixed and these presents to be executed by Joshua M. Addeman, its vice-president, and Cyrus P. Brown, its treasurer, thereunto duly authorized, and the depositors have hereunto set their respective hands, seals, and addresses, and opposite thereto the number of shares of capital stock agreed to be deposited by them hereunder respectively.

Depositors.

Signatures.	Addresses.	A.	B.

[Form of certificate "X."]

No. ——. —— shares.

U. S. BOBBIN AND SHUTTLE COMPANY.

Industrial Trust Company certifies that ——— has deposited with it certificates for ——— shares of $100 each of the common capital stock of U. S. Bobbin and Shuttle Company, a New Jersey corporation, under and subject to the terms of article 1 of a certain agreement lodged with said Industrial Trust Company, dated ———, 1901, executed and delivered by and between said Industrial Trust Company and certain stockholders of said U. S. Bobbin and Shuttle Company. Said shares of stock of said U. S. Bobbin and Shuttle Company are to be held until April 1, 1902, and then or thereafter to be delivered to said ——— or assigns upon surrender of this certificate properly indorsed for cancellation.

Dated ———, 1901.

INDUSTRIAL TRUST COMPANY,
By

[Form of Certificate "Y."]

No. ——. —— shares.

U. S. BOBBIN AND SHUTTLE COMPANY.

Industrial Trust Company certifies that ——— has deposited with it certificates for ——— shares of $100 each of the common capital stock of U. S. Bobbin and Shuttle Company, a New Jersey corporation, under and subject to the terms of article 2 of a

certain agreement lodged with said Industrial Company, dated ———, 1901, executed and delivered by and between said Industrial Trust Company and certain stockholders of said U. S. Bobbin and Shuttle Company. Said ———, or assigns, will be entitled to the benefit of this certificate, pursuant to the terms of said agreement, upon its surrender to the Trust Company duly indorsed for cancellation.

Dated ———, 1901.

INDUSTRIAL TRUST COMPANY,
By

U. S. BOBBIN AND SHUTTLE COMPANY.

Bond subscription agreement.

We, the undersigned, in consideration of our mutual promises and agreements, and for other good and valuable considerations, do hereby agree with Mr. Charles R. Flint, of New York, and with each other, to subscribe and pay to the American Loan and Trust Company, of Boston, Mass., on demand of Mr. Charles R. Flint, the amounts set opposite our respective names, for the purposes of the syndicate hereby organized to unite certain plants and interests in the United States now engaged in the manufacture of bobbins and shuttles into a new corporation entitled "U. S. Bobbin and Shuttle Company."

It is understood and agreed by the different parties as follows:

That the moneys paid into the American Loan and Trust Company under this agreement shall be applied by Mr. Charles R. Flint to carry out the plan of combining the plants and interests referred to.

Each subscriber hereto shall, upon notification of allotment, pay to the American Loan and Trust Company an amount equal to 10 per cent of the subscription, the balance to be due and payable as and when called for by Mr. Charles R. Flint.

Each subscriber shall receive from the American Loan and Trust Company in consideration of his subscription hereto at the time of payment an assignable certificate of the American Loan and Trust Company, entitling the holder to 20-year 6 per cent first mortgage gold bonds of the U. S. Bobbin and Shuttle Company to the amount of their subscriptions, subject to completion of payment in accordance with the terms of this subscription.

This agreement may be executed in separate writings with the same effect as if all the signatures were upon one and will bind and benefit the respective successors and assigns of all subscribers.

In witness whereof, we have hereunto set our hands this 1st day of May, 1899.

Name.	Address.	Amount.

U. S. BOBBIN AND SHUTTLE COMPANY.

Underwriters' agreement.

This agreement, made this —— day of ———, A. D. 1899, by and between Industrial Trust Company, a corporation created by the general assembly of the state of Rhode Island, and located in the city and county of Providence in said state (hereinafter called the "Trust Company"), of the first part, and the persons who shall as underwriters subscribe their names hereto, or to a counterpart hereof (hereinafter called the "underwriters") of the second part, witnesseth:

That, whereas the Trust Company, at the request of the underwriters, and in part consideration of the execution and delivery of these presents and of the counterparts hereof hereinbefore mentioned, is about to advance to the underwriters, or their nominee, the sum of $500,000 upon the terms and conditions hereinafter set forth and upon security of the collateral hereinafter mentioned and of the undertakings of the several underwriters hereinafter contained.

Now, therefore, the parties hereof, in consideration of the premises, and each in consideration of the agreements of the other herein contained, do hereby and severally agree in manner following, to wit:

First. The Trust Company will from time to time on demand, on and after the 1st day of August, A. D. 1899, and in amounts as requested, pay said sum of $500,000 to Charles R. Flint, of the city, county, and state of New York, or his nominee; provided, however, that before the Trust Company shall be required to make any such

payment there shall have been deposited with the Trust Company the sum of $250,000 in cash, to be applied as a part of said sum of $500,000; and provided, also, that there shall have been paid to the Trust Company the commission and compensation hereinafter mentioned and the expenses incidental to the preparation and execution of this agreement, including fees of counsel.

Second. The Trust Company shall receive interest upon the said loan of $500,000 from the said 1st day of August, A. D. 1899, at the rate of 6 per cent per annum, payable semi-annually, and shall receive, when and as provided in paragraph first hereof, as a commission and as compensation for its services hereunder, a sum equal to 3 per cent upon said sum of $500,000.

Third. The Trust Company shall be entitled at any time to demand immediate payment of said loan, or advances with any unpaid interest thereon, at the rate aforesaid, which shall have accrued at the time of such repayment: Provided, however, That, in case the Trust Company shall demand such repayment to be made within one year of the date of said loan, the Trust Company shall give credit to the underwriters to an amount equal to 2 per cent out of the 3 per cent of said advances hereinbefore provided to be paid as commission and compensation, and also for 3 per cent out of the 6 per cent of interest hereinbefore provided to be paid upon the amount of said advances.

Fourth. Each of the underwriters agrees for himself only, and not for any or either of the others, that he will upon demand forthwith repay to the Trust Company, so much of the principal of said advances as is set opposite his signature hereto, together with all unpaid interest accrued according to the provisions herein set forth, and that the Trust Company shall have the right to proceed against the underwriters severally at once upon default to recover the full amount set opposite their respective names, as aforesaid, with interest upon such amounts as hereinbefore provided, until the full amount of said loan, with interest and costs, shall have been recovered by the Trust Company without recourse to any other party, and without recourse to any collateral security being first had or required.

Fifth. The underwriters will deposit, or cause to be deposited, with the Trust Company, as collateral security for the repayment of said loan, or advances and interest, and for the reimbursement of the Trust Company for any and all expenses which said Trust Company may incur by reason of any breach of this agreement on the part of the underwriters or any of them, bonds and shares of the capital stock of a corporation proposed to be organized under the laws of the state of New Jersey, and to be called the "U. S. Bobbin and Shuttle Company," as soon as said corporation shall be organized, and the bonds thereof, and certificates of shares of the capital stock thereof, shall be issued of the kinds and the amounts as follows:

Six per cent gold coupon bonds of said proposed company, secured by a mortgage which shall be a first lien on all the real estate, plants, franchises, and all other assets of the new company to the amount of $300,000 par value, and being all the obligations of said company secured by such mortgage.

Seven per cent cumulative preferred stock to the amount of $200,000 par value.

Common stock to the amount of $350,000 par value.

Sixth. The Trust Company may from time to time, as they shall become due, detach the interest coupons from the aforementioned bonds, or from such of them as shall not have been disposed of under the provisions of this agreement, and shall collect the same, and the sums so collected shall be thereupon passed to the credit of the underwriters.

Seventh. The trust company may from time to time, until such time as said advances and loans shall be fully repaid to the trust company with all interest due thereon, and all charges which by the terms of this agreement may be incurred by the trust company, sell at private sale the aforementioned bonds and shares of the capital stock of said corporation at such prices for the several classes of securities as shall be designated in writing by said Charles R. Flint, or his nominee, and the proceeds of any and all sales, made by virtue of the provisions of this agreement, shall be applied (1) to the repayment of the amount due to the trust company upon the said loan or advances, and for interest and charges; and (2) the surplus of such proceeds, if any, shall be distributed among the underwriters and their assigns pro rata, in accordance with the amounts set opposite their signatures hereto, when said loan, together with interest and charges, as herein provided, shall have been paid; but said trust company shall in no case be required to make any such sale if, in the opinion of the board of directors of said company, the price or prices designated as aforesaid shall be inadequate; provided, however, that the trust company shall be entitled to receive interest, at the rate hereinbefore provided, upon the entire sum of $500,000 for a period of at least 3 months.

Eighth. In case the underwriters, or any of them, shall neglect or refuse to keep and perform any or all of their agreements and promises hereinbefore contained, it

shall be lawful for the trust company to sell the whole or any part of the aforesaid bonds and shares of the capital stock of said corporation at public auction, first giving notice of the time and place of such sale, by advertisement for the period of 10 days in some one of the public newspapers published in said city of Providence; and upon any such sale or sales the trust company is hereby authorized to make and execute any and all instruments, and do any and all things, necessary to vest in the purchaser at such sale a valid title to the bonds and shares so sold; and no purchaser at any such sale shall be required to inquire into the necessity of any such sale, nor to see to the application of the purchase money; and, upon any such sale or sales, the proceeds thereof shall, after the payment of all expenses incidental to such sale, including reasonable counsel fees, be applied by the trust company in the manner and for the purposes provided in the seventh paragraph of this agreement.

Ninth. And whenever the trust company shall have been fully repaid the amount of the said loan or advances, together with all other sums of money which may become due to the trust company by virtue of the provisions of this agreement, the bonds and shares of the capital stock of said corporation, if any, then in the possession of the trust company, shall by the trust company be transferred and delivered to the underwriters in proportion to the amounts set opposite their signatures hereto, the expense, if any, attending such transfer to be borne pro rata by the underwriters, and in the making of such transfer and delivery, due regard being had to any equities that may have arisen between the underwriters or any of them arising from the performance of their agreements herein contained by some of the underwriters, and the non-performance of their agreements, in whole or in part, by others of the underwriters.

Tenth. This agreement shall be binding upon and inure to the benefit of the respective legal representatives, successors, and assigns of all the parties hereto.

In witness whereof, Industrial Trust Company has caused its corporate seal to be hereto affixed, and these presents to be executed by ——— ———, president, and Cyrus P. Brown, its treasurer, thereunto duly authorized, and the underwriters have hereunto set their names and seals, their proper post-office addresses, respectively, and the amounts agreed upon to be paid by them, respectively, as hereinbefore provided, the day and year first above written.

In presence of:

——— ———.

——— ———.

Underwriters.

Name.	Address.	Amount.

THE AMERICAN CARAMEL COMPANY.

Q. (By Mr. Kennedy.) What are the trade-marks of the American Caramel Company?—A. I will have to refer you to the papers, which will give you the data.

Q. Is it caramels they manufacture, or all kinds of candy?—A. Only caramels.

Q. Have they trade-marks on all manufactures?—A. Yes; and the public are very particular that they should have caramels of the particular trade-marks.

Q. Well, are the famous candies—candies of famous names, popular names—controlled by your company?—A. The caramels that are widely distributed are controlled by the American Caramel Company, but what are supposed to be the highest grade of caramels, such as those manufactured by Huylers, which have a sale limited perhaps to people who pay high prices, are not included in this combination, but the aggregate volume of their trade is small as compared with the wide distribution of the American Caramel Company.

Q. Have you sought to bring them into your combination?—A. No; we are not in that—it is a different class of business.

METHOD OF ORGANIZING THE UNITED STATES BOBBIN AND SHUTTLE COMPANY.

Q. (By Mr. Jenks.) In the United States Bobbin and Shuttle Company is there any difference as regards the methods of organization? I have understood that in case of that company there was some earlier borrowing and issuing of bonds that makes it somewhat different from the others.—A. Yes; that company has a bond issue. I will furnish the papers showing the plan of organization. In that case the

trust company advanced on the bond issue and upon the responsibility of the underwriters. Then those bonds were offered for sale to the public, and as the bonds were sold the money was paid to the trust company. The loan was arranged for 1 year, and before the expiration of the loan the bonds were all sold and the trust company received its cash, and the underwriters were not called on for any payment, but they received a compensation in stock for their services in underwriting the loan.

Q. Is that compensation brought out in the papers that you will submit or can you tell us what it was?—A. It is covered by the papers; the trust company received a commission of 3 per cent upon the amount of its advance, together with interest at the rate of 6 per cent per annum, but it was provided that the trust company should pay to the underwriters 2 per cent in case the loan was paid within 1 year.

Q. So, as a matter of fact, the underwriters received 2 per cent?—A. So that the net payment to the trust company was 1 per cent and interest at the rate of 6 per cent per annum.

Q. And the underwriters received 2 per cent?—A. The underwriters received stock in consideration of underwriting. That is shown by the papers. Those exhibits give all the details of this United States Bobbin and Shuttle Company.

ORGANIZING THE NATIONAL STARCH COMPANY—CONTROL OF STARCH TRADE.

Q. Before we leave this part of the subject, perhaps you will explain to us the somewhat different conditions under which the National Starch Company was organized.—A. The first step taken in connection with the organization or the consolidation of the starch industry was the organization of a company known as the United Starch Company. The United Starch Company consolidated the manufacturers of box starch that were outside of the National Starch Manufacturing Company, the latter having been organized some 5 years ago. After the consolidation known as the United Starch Company was completed, a plan was determined upon for the organization of the National Starch Company, which was to include the National Starch Manufacturing Company, the United Starch Company, to which I have just referred, and the United States Glucose Company, the latter being a company situated at Waukegan, Ill., and manufacturing what is known as common starch, in contradistinction to box starch and glucose.

Q. This National Starch Manufacturing Company, you say, had been in existence for several years before. Do you know what percentage of the starch of the country that company manufactured?—A. Well, I should suppose that it manufactured of the box starch about 65 per cent.

Q. And then these independent companies that were brought together under the head of the United Starch Company; will you tell us about how much they manufactured, so that we can form an idea of about what percentage the combination now controls?—A. The combination, I think, manufactures about all of the box starch made in the United States, and the sale of that starch is dependent upon trade-marks. In my business as an export merchant I am quite a large exporter of starch. In 19 times out of 20 I am left no discretion as to what starch I shall buy; I am ordered to buy starch of a particular brand. Many of these concerns have been in existence for over 30 years and, by manufacturing good goods, have established a reputation that is represented by their trade-marks.

CAPITALIZATION AT WHICH THE VARIOUS STARCH COMPANIES WERE TAKEN INTO THE CONSOLIDATION.

Q. As regards the capitalization of the starch companies—will you explain how much was allowed for good will, how much for tangible assets, and so on, and perhaps you can compare this final combination in that regard with the National Starch Manufacturing Company?—A. Well, the capitalization of the National Starch Manufacturing Company was very much in excess of the capitalization of the present National Starch Company.

Q. You mean as a whole?—A. Well, I mean in excess as compared with tangible assets and earning capacity. After the organization of the United Starch Company a committee was formed, a reorganization committee, and the holders of shares in the old company, which we will call the Manufacturing Company, were asked to deposit their shares in a trust company subject to the orders of the committee of which Joy Morton was chairman, and of which I was a member, the parties having the option of taking their pay for those shares in stock in the new company or of receiving cash for their shares. Under that request over 90 per cent of the stock of the Manufacturing Company was deposited. Then a plan was perfected for the organization known as the National Starch Company—distinguishing it from the old

company which was the National Starch Manufacturing Company—under which plan there were taken over the 3 properties that I have stated—the Manufacturing Company, the United Starch Company, and the United States Glucose Company. At present there is the National Glucose Company, who are large manufacturers of common starch, but who do not manufacture box starch, and who have no trade-marks; we, on the other hand, are important manufacturers of glucose.

Q. (By Mr. Clarke.) Is starch a main product or a by-product of the glucose business?—A. Well, it is a very important by-product. It is not an incidental product, but a very important one. In the case of the National Starch Company there was no one who received any stock without paying for it.

Q. (By Mr. Jenks.) Depositing it for bonds?—A. There was no stock received by anyone in the organization of the National Starch Company who did not pay for the stock. The only advantage the promoters received in that case was that they had an opportunity of purchasing common stock at a substantial price, but at a price that in case of the business being unusually prosperous would show a satisfactory return.

Q. The shares of this National Starch Manufacturing Company were exchanged for the shares of the National Starch Company, I understand. Can you show from the terms of that exchange how the capitalization was relatively speaking reduced?—A. Well, I furnish here all the papers giving all those facts, and it will be seen that the capitalization of the present National Starch Company, as compared with the tangible assets and earning capacity, is on a very much more conservative basis than the capitalization of the Manufacturing Company.

Q. In the present case I judge from what you say that, on account of the value of the trade-marks, it was not the intention to limit the preferred stock to the tangible assets?—A. It will be found that in the case of the National Starch Company the tangible assets were in excess of the value of the bonds and preferred stock.

Q. I believe that in the case of the National Starch Manufacturing Company there was more than one class of preferred stock. Was there also in this?—A. No; in the case of the Manufacturing Company there were two classes. There was the first preferred and the second preferred. In the case of the new company there is only one class of preferred stock.

Q. And you say, then, in the case of this new company, that the tangible assets exceed the sum of the bonds and the preferred stock?—A. Yes.

Exhibit 6.—*Reorganization agreement, certificate of incorporation, and by-laws of National Starch Company.*

This agreement, made this 5th day of October, 1899, between Joy Morton, Charles R. Flint, Alexander H. Stevens, W. Emlen Roosevelt, and George W. Young, jointly constituting a committee for the readjustment of the affairs or for the reorganization of the National Starch Manufacturing Company (a corporation organized and existing under the laws of the state of Kentucky, hereinafter called the committee), party of the first part, and individual subscribers to this and other like agreements (hereinafter called the syndicate subscribers), parties of the second part, and the United States Mortgage and Trust Company (hereinafter called the Trust Company), party of the third part, witnesseth:

Whereas the committee, at the request of a large number of the stockholders, is about to prepare a plan for the readjustment of the affairs or for the reorganization of said National Starch Manufacturing Company (hereinafter called the Starch Company), and to that end desires to acquire, subject to the terms of this agreement, at least 50 per cent of each class of the total capital stock of the Starch Company, and now outstanding, as follows:

First preferred stock	$2,219,400
Second preferred stock	1,846,800
Common stock	4,450,700

Whereas the committee is about to offer to purchase from the stockholders of the Starch Company their entire holdings of the capital stock at the following prices:

	Per share
First preferred stock	$75
Second preferred stock	30
Common stock	10

and for the purpose of paying for such shares of stock, the syndicate of subscribers has been formed on the terms herein set forth: Now, therefore, it is agreed as follows:

First. The several syndicate subscribers, in consideration of the premises, and of the sum of $1 to each of them by the committee paid, the receipt whereof is hereby

acknowledged, and of other valuable considerations, hereby agree with the committee to pay to the Trust Company to the order of the committee the amount of their respective subscriptions or such lesser amounts as shall be allotted to them respectively by the committee, upon notice of allotment, or as and when called for by the committee.

It is understood and agreed that, in making allotments hereunder, the committee shall allot to each syndicate subscriber who shall also have agreed with the committee to sell to it stock of the Starch Company an amount at least equal to one-half of the purchase price of the stock so agreed to be sold to the committee by such syndicate subscriber, and that payment of each such syndicate subscriber's subscription hereunder shall to such amount be made out of such purchase price.

Second. It is understood and agreed that the committee shall not make such purchase of stock of the Starch Company unless it shall, on or prior to the 16th day of November, 1899, have secured the right to so purchase at least 50 per cent of each class of the total capital stock of the Starch Company.

Third. The committee is authorized and empowered to prepare a plan for the readjustment of the affairs of the Starch Company or for its reorganization, providing, if the committee deems necessary, for the creating and organization of such other corporation or corporations as it may deem suitable, and the issue of such stock, common or preferred, or both, and bonds or other obligations as it may deem advisable.

When the committee shall have prepared such plan, it shall be lodged with the Trust Company, with whom copies shall be left for distribution to the syndicate subscribers, and notice that it has been so lodged shall be mailed by the Trust Company to each syndicate subscriber, addressed to him at his address, as hereinbelow stated.

Each syndicate subscriber who shall not file with the Trust Company within 20 days after such notice has been so mailed to him his written dissent from such plan, shall be deemed to have assented thereto. And the assent in the manner aforesaid of a majority in interest of the syndicate subscribers shall effect the adoption of such plan, and it shall thereupon become and be binding on all the syndicate subscribers.

Such plan may provide for the dissolution of the Starch Company or for the reduction or for the increase of its capital stock, or for the sale or other disposition of its property, or of the shares purchased hereunder, or the transfer or merger of all or any of the stock, property, and franchises of the Starch Company to or with any other corporation or corporations, or for whatever different or other or further means of reorganization or readjustment the committee shall deem advisable, including the formation of a voting trust for the shares of its stock or the stock of any such new or other corporation or corporations.

Fourth. The committee is hereby given full authority and power to form such new corporation or corporations as it may deem necessary or proper to carry out and put into effect the plan so adopted, and to take any and all steps necessary to said plan or which it may deem proper to promote the same, and the syndicate subscribers hereby create the committee and its successors, their trustees, agents, proxies, and attorneys, irrevocably, to carry out said plan.

Fifth. The committee is hereby authorized to borrow or provide at any time or from time to time such sum or sums as may be deemed by it necessary or advisable to carry out the provisions of such plan, for such time and upon such terms as to interest and otherwise as the committee deems expedient, and as security therefor to pledge or hypothecate the certificates of stock so purchased by the committee or any new or other securities or shares of stock of any such corporation as aforesaid.

Sixth. The committee is hereby authorized and empowered to fix the compensation of the Trust Company, and to employ counsel, agents, clerks, or other assistants and to fix and make compensation to them for services, and to make such other expenditures as it may deem necessary to carry out this agreement and such plan, including such compensation to its members for their services as the committee may determine. It is agreed that the respective members of the committee may become syndicate subscribers hereunder, or participate in any loans or securities hereunder, or own or be interested in the shares of stock or securities of, or be otherwise interested in, any of the new or other corporations aforesaid.

Seventh. The Trust Company shall issue to each syndicate subscriber its transferable certificate, which shall entitle the holder thereof to a pro rata proportion of the avails of any reorganization or readjustment carried out pursuant to such plan, or if such plan should not be adopted by the syndicate subscribers on or before the 1st day of February, 1900, then to a pro rata distribution of the shares of stock so purchased, subject to the payment of their proportionate share of any expenses incurred by the committee under this agreement, or in lieu of such distribution, at the option of the committee or a majority thereof, to the repayment of the cash amount paid hereunder by such syndicate subscriber, with 5 per cent interest thereon and a bonus

of 10 per cent thereof in cash, such repayment to be made through the Trust Company for account of such of the members of the committee as shall furnish the Trust Company with the necessary funds for all of such repayments, and the purchase stock shall thereupon belong to such members in proportion to the amount so furnished by each.

Eighth. The act of the majority of the committee shall be the act of the committee, and the act of one member shall not bind the committee unless with the expressed consent of a majority of the committee. The committee shall act only at meetings duly called by the chairman by written notice mailed to each member of the committee, unless notice of the meeting be waived in writing by each member thereof, or at adjourned meetings. No member of the committee shall be liable for the acts of any other member, nor shall he incur personal liability except by his own willful misconduct; nor shall any member of the committee be individually pecuniarily liable for acts of the committee or any member thereof. In case of the death or resignation or inability or refusal to act of any member of the committee, his successor or successors shall be appointed by the others or by a majority thereof, and the committee may be enlarged from time to time by adding to its members by vote of a majority of the committee.

Ninth. It is agreed that all copies of this agreement which shall be subscribed by any of the parties hereto and delivered to the Trust Company shall be taken together as one instrument and shall have the like effect as if all the parties hereto had subscribed their signatures to the same copy thereof.

In witness whereof the parties hereto of the first part have hereunto set their hands, and the party hereto of the third part has caused its corporate seal to be hereunto affixed and attested by its treasurer, and the parties hereto of the second part have hereunto set their hands and opposite thereto the amounts subscribed by them respectively.

JOY MORTON,
CHARLES R. FLINT,
ALEXANDER H. STEVENS,
W. EMLEN ROOSEVELT,
GEORGE W. YOUNG,
Committee.

UNITED STATES MORTGAGE AND TRUST COMPANY,
By ——— ———, *President.*

Attest:
——— ———, *Treasurer.*

Syndicate subscribers.

Name.	Address.	Amount subscribed.

NATIONAL STARCH MANUFACTURING COMPANY.

Plan prepared by the committee acting under authority of the agreement of October 5, 1899, between said committee, certain syndicate subscribers, and the United States Mortgage and Trust Company.

To the syndicate subscribers:

Your committee have decided, as the plan for the reorganization of the affairs of the National Starch Manufacturing Company, to consolidate the National Starch Manufacturing Company with the United Starch Company, upon the terms the details of which are to be determined hereafter.

Your committee have negotiated with the owners of a controlling interest in the securities of the United Starch Company, and, as a result, a large majority of the capital stock of that company has been agreed to be deposited subject to the control of a committee appointed from its shareholders, with power to them to complete and carry out all the details of a practical consolidation of the interests of the two corporations, either by transfer of the property of both to a new corporation or by the ownership of capital stock. The work of the two committees is incomplete as to

details, so that your committee can not at present report the exact basis of conversion or exchange of the securities of the two corporations. The two committees, however, are working in entire accord.

Meanwhile it will undoubtedly be of interest for the syndicate subscribers to know that, from information received by your committee from the officers of the National Starch Company, its affairs are in a prosperous condition and there have been deposited under the agreement of October 5, 1899, shares of stock of the company as follows:

	Total shares.	Deposited.
First preferred	22,194	21,845
Second preferred	18,468	16,906
Common	44,507	36,448

Your committee also have in view the acquisition by the proposed consolidated or new corporation of other important interests. It will be necessary, therefore, that your committee retain the right to modify or enlarge the plan now proposed for a union of the interests of the national and united companies.

The details of the plan when perfected, and of any such modification or enlargement, will be lodged with the United Mortgage and Trust Company and communicated to you, and adopted or rejected in accordance with and subject to the provisions of the agreement of October 5, 1900, with respect to the plan.

New York, January 10, 1900.

JOY MORTON, *Chairman.*
CHARLES R. FLINT.
ALEXANDER H. STEVENS.
W. EMLEN ROOSEVELT.
GEORGE W. YOUNG.

CLARK WILLIAMS, *Secretary,*
59 Cedar street, New York City.

In the matter of the consolidation of the National Starch Manufacturing Company, United Starch Company and the United States Glucose Company.

To the stockholders of the United Starch Company:

The undersigned were, by an instrument in writing dated January 9, 1900, and signed by the owners of a majority of the capital stock of the United Starch Company, appointed "a committee to negotiate and effect a union of the interests of said United Starch Company with those of the National Starch Manufacturing Company, a Kentucky corporation, with full power to said committee to effect such union by sale, consolidation, or otherwise, in such manner and on such terms as they deem best."

The plan for the reorganization of the National Starch Manufacturing Company, which contemplates the union of the interests of the United Starch Company with those of the National Starch Manufacturing Company and the United States Glucose Company, has been approved by this committee, and the same with the syndicate subscribers' committee's letter of transmittal is hereby made a part of this communication.

Said plan becomes binding and operative upon the said syndicate subscribers, unless on or before April 30, 1900, a majority in interest of the syndicate subscribers shall have dissented therefrom in writing.

Said plan, as applied to the stockholders of the United Starch Company, is as follows:

1. Five per cent gold debenture bonds of the National Starch Company will be given for the preferred stock of the United Starch Company, each taken at par.

2. Preferred stock of the National Starch Company will be given for the common stock of the United Starch Company, the said common stock being taken at 45 per cent of its par value.

Provided that the plan becomes operative as mentioned above, as we have good reason to believe will be the result of its submission to the syndicate subscribers, the stockholders of the United Starch Company, including those who accept the exchange offered by the plan, will receive as a dividend upon their preferred stock of the United Starch Company cash at the rate of 6 per cent per annum from January 1, 1900, to July 1, 1900.

From July 1, 1900, semi-annual interest on the debenture bonds and quarterly dividends on the preferred stock of the new company will accrue.

Stockholders desiring to make such exchange may deposit their interim certificates representing preferred and common stock of the United Starch Company with the United States Mortgage and Trust Company, which will issue appropriate receipts therefor, on or after the 17th day of April and prior to May 15, 1900.

The plan as now presented has had careful and deliberate consideration by the syndicate subscribers' committee and by your committee, and we recommend the acceptance of its terms by all stockholders of the United Starch Company.

Any communication or inquiry may be addressed to either member of your committee at No. 11 Broadway, New York City.

Dated New York, April 10, 1900.

Respectfully submitted.

T. B. KINGSFORD,
HIRAM DURYEA,
J. D. HIGGINS,
Committee.

REORGANIZATION OF THE NATIONAL STARCH MANUFACTURING COMPANY.

To the syndicate subscribers:

Your committee inclose herewith their final plan for the reorganization of the National Starch Manufacturing Company by the proposed incorporation of the National Starch Company.

Under this plan there will be operated the most important factories in the United States manufacturing culinary and laundry starch, including the following well-known concerns which have been in constant operation since they were established, at the dates mentioned:

George Fox Factory, Cincinnati, Ohio, 1824; Kingsford's Oswego Factory, Oswego, N. Y., 1848; A. Erkenbrecher Factory, Cincinnati, Ohio, 1850; Duryeas' Glen Cove Factory, Glen Cove, Long Island, 1856; Wm. F. Piel Factory, Indianapolis, Ind., 1867; Gilbert S. Graves, Buffalo, N. Y., 1877; C. Gilbert Factory (Buffalo and Des Moines), 1864; Niagara Starch Factory, Buffalo, N. Y., 1877; Excelsior Factory, Elkhart, Ind., 1873; Sioux City Starch Company, Sioux City, Iowa, 1894; Argo Factory, Nebraska City, Neb., 1890.

Prominent among the trade-mark brands owned by these concerns are: Kingsford's Oswego, Duryeas' Glen Cove, Duryeas' Maizena, Piel's Champion, Niagara, Erkenbrecher's Royal Gloss, Foy's, Argo, Muzzy's, Graves', Excelsior, Wood's, Gilbert's, Lily Gloss, Sioux, Duryea & Co., Johnson's, and Blue River.

Glucose also will be manufactured at Glen Cove, Long Island, and at Waukegan, Ill.

The factories are favorably located both as regards raw material and distribution of product, and their daily consumption is upward of 45,000 bushels of corn, which is more than double the quantity consumed by the National Starch Manufacturing Company. All the operated plants are necessary to the demands of the present market.

The new company retains the services of the most practical and successful manufacturers heretofore connected with the respective factories.

The export business is constantly growing and extends to all civilized countries. It is believed by those familiar with the situation that the development of the export trade will be greatly stimulated under the new conditions.

The committee call attention to the conservative capitalization of the new company as compared with the existing capitalization of the constituent companies.

The committee have not, as they were authorized, created a voting trust, but they have included in their plan a provision for the withholding from sale, except under designated conditions, of the shares of preferred and common stock of the new company to which the syndicate subscribers and others are entitled, in order that the owners may have the opportunity, which will be afforded by the operations of a year from July 1, 1900, of realizing the full value of their holdings.

Dated New York, April 9, 1900.

JOY MORTON,
CHARLES R. FLINT,
ALEXANDER H. STEVENS,
W. EMLEN ROOSEVELT,
GEORGE W. YOUNG,
Committee.

CLARK WILLIAMS, *Secretary, 59 Cedar Street, New York City.*

FINAL PLAN PREPARED BY THE REORGANIZATION COMMITTEE OF THE NATIONAL STARCH MANUFACTURING COMPANY.

A new company will be organized under the laws of the state of New Jersey, to be known as the National Starch Company, to acquire the property or capital stock of the National Starch Manufacturing Company, United Starch Company, and United States Glucose Company.

The capitalization of the said 3 existing companies is as follows:

I.—*National Starch Manufacturing Company.*

Total outstanding 6 per cent bonds	$3,000,000
First preferred 8 per cent cumulative stock	2,219,400
Second preferred 12 per cent cumulative stock	1,846,800
Common stock	4,450,700

The committee have purchased for account of certain syndicate subscribers' shares of the preferred and common stock of the National Starch Manufacturing Company on a basis of $2,664,000 in cash for all of the outstanding shares.

The amount so purchased of the several classes of stock is as follows:

First preferred	$2,209,000
Second preferred	1,744,900
Common	3,806,600

These purchased shares will be exchanged for the new securities as hereinafter provided.

II.—*United Starch Company.*

First mortgage 6 per cent gold bonds	$1,250,000

Held in pledge to secure the payment of a loan of $950,000.

Six per cent cumulative preferred stock	$1,550,000
Common stock	3,500,000

Of the foregoing, the holders of $1,233,000 preferred and $3,013,400 common stock have agreed to the plan.

III.—*United States Glucose Company.*

Six per cent cumulative preferred stock	$3,000,000
Common stock	2,000,000

This company owns $1,811,600 of the capital stock of the United States Sugar Refinery, whose total capital stock is $2,000,000.

The sugar refinery owns and operates a plant at Waukegan, Ill. It has outstanding $1,000,000 in first mortgage 6 per cent gold bonds.

Of the capital stock of the Glucose Company, $452,000 of the preferred and $1,359,700 of the common stock are outstanding; $47,100 additional of its preferred stock and $141,300 additional of its common stock have been authorized to be issued in exchange for the $188,400 of the capital stock of the sugar refinery not owned by the Glucose Company.

The new company will in the first instance acquire 2,570 shares of preferred and 7,710 shares of the common stock of the Glucose Company now outstanding.

The new company will have the following authorized capitalization:

Twenty-five year 5 per cent sinking fund redeemable gold debentures	$4,000,000
Cumulative 6 per cent preferred stock	4,500,000
Common stock	5,000,000
Total capitalization	13,500,000

Distribution of debentures and capital stock of the new company.

Debentures		$4,000,000
Issue to National Starch Manufacturing Company syndicate subscribers (assuming the acquisition of the entire outstanding capital stock of said manufacturing company) on account of cash advanced	$1,000,000	

Retain to discharge the above-mentioned loan of the United Starch Company	$950,000	
Issue to the preferred stockholders of the United Starch Company for the entire outstanding preferred stock of that company	1,550,000	
Issue for expenses of committee not exceeding	140,000	
		$3,640,000
Retain in treasury		360,000

The total amount of debentures may hereafter be increased sufficiently to provide for the acquisition at par of the outstanding bonds of the National Starch Manufacturing Company and of the United States Sugar Refinery.

Capital stock.	Preferred.	Common.
Issue to the syndicate subscribers in full of the balance on account of their cash advances	$2,470,524	....
(NOTE.—This assumes the acquisition by the new company of the entire capital stock (first and second preferred and common) of the National Starch Manufacturing Company. If less than the whole be acquired, this amount will be proportionately reduced.)		
Issue for the entire common capital stock of the United Starch Company and also for the acquisition of shares of the preferred and common stock of the United States Glucose Company owned by certain members of the committee and others, said shares constituting a majority of each class of the capital stock of said Glucose Company	1,575,000	$2,250,000
Issue as compensation to the committee, not exceeding	125,000	....
	4,170,524	2,250,000
Retain in treasury	329,476	2,750,000
Total capital stock	4,500,000	5,000,000

Pursuant to the foregoing plan, each subscriber to said syndicate to the amount of $100,000 in cash will receive:

In debentures	$37,528.20
In preferred stock	92,714.40
Total	130,242.60

Each syndicate member subscribing for larger or smaller amounts participating in the like proportion. Appropriate scrip will be issued for fractional amounts of both bonds and stock.

Each person who is to receive preferred stock of the new company under this plan shall be entitled, in lieu of each share of such preferred stock to be received by him, up to one-third thereof, to take instead two shares of the common stock of the new company, and the persons who are to receive common stock of the new company shall be entitled, pro rata, to make exchange of their common stock up to but not exceeding one-third thereof, at the rate of two shares of common for one share of preferred stock for such preferred stock of the new company as may be surrendered for common stock as above provided. The remaining shares of common stock of the new company may be issued for the acquisition of the minority shares of capital stock of the Glucose Company under the same terms and conditions as those upon which the majority shares are now acquired. If, however, the exchange by syndicate subscribers of preferred for common stock of the new company shall so reduce the remainder of its common stock that such acquisition can not be thus made, then to the extent that common stock shall not be available therefor, the preferred stock thus exchanged may be used for such acquisition, each share of preferred stock being taken as of the value of two shares of common stock.

The foregoing right of exchange of preferred for common stock, and of common for preferred stock, is upon the condition that each person entitled to make exchange as herein provided shall notify the committee in writing on or before the 15th day of May, 1900, of his election to exercise such option. In default of such notice the shares of stock, preferred and common, of the new company will be allotted as first above stated.

Each subscriber to said syndicate to the amount of $100,000 in cash, who exercises his right of exchanging one-third of his preferred stock for common stock, will receive:

In debenture	$37,528.20
In preferred stock	61,809.60
In common stock	61,809.60
Total	161,147.40

In addition each syndicate subscriber, whether he exercises his right of exchange or not, will receive interest on the amount of his cash subscription at the rate of 6 per cent per annum from the date of payment by him to July 1, 1900, from which latter date interest on the debentures and dividends on the preferred stock of the new company will accrue. Thereafter debenture interest shall be payable semi-annually, and preferred stock dividends quarterly.

A sinking fund for the retirement of the debentures will be provided, amounting to 2 per cent per annum of the outstanding debentures, payable on the 1st day of July of each year, beginning with the year 1901, and the debentures shall be redeemable from time to time, at 105 per cent and accrued interest, either by means of the sinking fund moneys or other funds of the company. Default in the payment of any installment of the sinking fund continuing 3 months after such installment is payable, may have the effect of causing the principal of the debentures to become immediately due and enforceable.

After payment of interest on the debentures, the sinking fund, and the dividend on the preferred stock, the company may use its earnings for the purchase of debentures or preferred shares.

All certificates for shares of the capital stock of the new company, preferred and common, executed and issued in the names of the several persons entitled thereto, shall be lodged with the United States Mortgage and Trust Company (which will issue its receipts therefor), and shall be held by it for 1 year from July 1, 1900; subject, however—

(*a*) To the sale by the committee of such portion thereof as may be authorized and designated to be sold by the respective stockholders, at the price of not less than 90 per cent of par for preferred stock, and not less than 40 per cent of par for common stock; the proceeds of all such sales to be distributed pro rata among the stockholders authorizing the same, and their stock will be used pro rata to carry out the sales made; and

(*b*) To the right of any stockholder to withdraw from the Trust Company the whole or any part of the certificates for stock, preferred or common, to which he is entitled, such beneficiary agreeing at the time of such withdrawal that he will not sell the withdrawn certificates, or any part thereof, prior to July 1, 1901.

This plan is to be taken as a modification and enlargement of the plan of the committee dated January 10, 1900, and as completing its details.

Dated New York, April 9, 1900.

JOY MORTON,
CHARLES R. FLINT,
ALEXANDER H. STEVENS,
W. EMLEN ROOSEVELT,
GEORGE W. YOUNG,
Committee.

CLARK WILLIAMS,
Secretary, 59 Cedar Street, New York City.

Amended certificate of incorporation of National Starch Company.

The undersigned, Henry C. Everdell, Armitage Mathews, John B. Summerfield, James C. Young, and George E. Spencer, being all of the incorporators of National Starch Company, a corporation organized under and pursuant to an act of the legislature of the state of New Jersey entitled "An act concerning corporations (revision of 1896)," the certificate of incorporation of which was duly recorded in the office of the clerk of Hudson County, N. J., on the 20th day of April, 1900, and duly filed in the office of the secretary of state of New Jersey on said 20th day of April, 1900, no part of the capital stock of said corporation having been paid in, do hereby, pursuant to the provisions of said act, the supplements thereto and amendments thereof, amend such certificate of incorporation so that the same shall read as follows:

I. The name of the corporation is "National Starch Company."

II. The location of its principal office in the state is No. 55 Montgomery street, Jersey City, Hudson County, N. J., and the name of the agent therein and in cargeh thereof upon whom process against the corporation may be served is Registrar and Transfer Company, with which said National Starch Company is to be registered.

III. The objects for which the corporation is formed are to carry on the trade or business of manufacturing, producing, adapting, and preparing from corn or any other grains or vegetable products, and buying and selling and otherwise dealing in starch, glucose, and dextrine, and any and all by-products derived from corn or other grains or vegetable products; buying, selling, and dealing in corn and other grains and vegetable products and special by-products thereof, and combinations, mixtures, and compounds of articles therefrom, and, in connection therewith, buying, selling, and feeding cattle; buying and selling lumber and timber lands; purchasing or erecting, owning, and operating box factories, cooperages, and planing mills; and also to manufacture, produce, purchase, adapt, prepare, use, sell, or otherwise deal in any materials, articles or things required for, in connection with or incidental to the manufacture, use, purchase, and sale of, or other dealing in starch, glucose, and dextrine, and by-products of corn and other grains and vegetable products; and, generally, to carry on any other manufacturing or trading business, exporting or importing, which can conveniently be carried on in conjunction with any of the matters aforesaid; also to purchase, acquire, hold, use, and dispose of patent rights, letters patent, processes, inventions, devices, brands, labels, trade-marks, and other rights, and also to do and transact all acts, business, and things incidental to or relating to or convenient in carrying on its business as aforesaid.

Said corporation may conduct business in other states or in foreign countries, and have one or more offices out of the state of New Jersey, and may hold, purchase, mortgage, and convey real and personal property out of the state of New Jersey.

The directors may hold their meetings and have one or more offices and keep the books of the corporation (except the stock and transfer books) outside of the state of New Jersey.

IV. The amount of the total authorized capital stock of the corporation is $9,500,000. The number of shares into which the same is divided is 95,000, and the par value of each share is $100. The amount of capital stock with which said corporation will commence business is $1,000.

The capital stock shall be of two classes, preferred stock and common stock, but at on time shall the total amount of preferred stock exceed two-thirds of the actual capital paid in cash or property.

The power to fix the amount to be reserved as a working capital for the corporation is hereby given to the directors, and the right to dividends from profits shall be subject thereto.

The preferred stock shall receive quarter-yearly dividends at the rate of and not exceeding 6 per cent per annum after July 1, 1900. Such dividends shall be cumulative, and if the profits of any one year declarable as dividends shall not be sufficient to pay such dividends for such year at the rate of 6 per cent per annum upon said preferred stock, then the same shall be made up from profits of a later period until the full amount of dividends herein specified, without interest, shall have been paid upon the preferred stock, before any dividend is declared or paid on the common stock. The balance of the net profits of the company declarable as dividends shall be distributed among the holders of the common stock at such times (semi-annually or quarterly) as may be fixed by the board of directors.

The par value of the preferred stock and accrued and unpaid dividends thereon shall also, in the event of the dissolution of the company and division of its assets, be paid in full before any sum whatever shall be paid on account of the common stock; and thereafter the common stock shall be entitled to the entire assets remaining.

The earnings of the company in excess of interest and sinking-fund charges and dividends on preferred stock may be used in the purchase and redemption of its preferred stock at such times and on such terms as the by-laws may provide.

V. The names and post-office addresses of the incorporators, and the number of shares subscribed for by each, are as follows:

Names.	Post-office addresses.	Number of shares of common stock subscribed for.
Henry C. Everdell	111 Fifth Avenue, New York City	2
Armitage Mathews	27 William Street, New York City	2
John B. Summerfield	62 Wall Street, New York City	2
James C. Young	55 Montgomery Street, Jersey City, N. J	2
George E. Spencer	137 Amity Street, Brooklyn, N. Y	2
Total		10

VI. The period for the duration of the company shall be unlimited.

VII. The power to make and alter by-laws shall be in the directors, but by-laws made by the directors may always be altered, added to, or repealed by the stockholders.

The directors shall have power and authority, with the consent expressed either by vote or in writing, of the holders of two-thirds of each class of the capital stock issued and outstanding, to sell, assign, transfer, or otherwise dispose of the whole of the property of the corporation.

The directors shall from time to time determine whether and to what extent and at what times and places, and under what conditions and regulations, the accounts and books of the corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right of inspecting any account or book or document of the corporation except as conferred by statute in New Jersey or authorized by the directors.

The directors may designate from their number an executive committee, which shall for the time being, and to the extent provided by the by-laws, have and exercise the powers of the board of directors, in the intervals between its meetings, in the management of the business and affairs of the company; all acts of said committee to be reported to the board of directors at its meetings.

In case of an increase in the number of directors of the company, the board of directors shall have power to elect the additional directors, who shall hold office until the next annual meeting of stockholders and until their successors are elected.

The by-laws shall provide for the division of the first board of directors into three classes, to serve for 1, 2, and 3 years, respectively, and at each annual meeting of the stockholders of the company one class of the directors shall be elected to serve for 3 years each, to fill the place or places in the board of directors made vacant by the retirement of the members of the class of directors whose term of office then expires.

The board of directors shall annually elect from among their own number a president, one or more vice-presidents, and a chairman of the board of directors, and shall elect and appoint from their own number, or otherwise as the board elects in each case, any other officers, agents, or employees.

The president shall have the general management of the manufacturing business and property of the company, subject to the provisions of the by-laws, and, in the absence of the chairman of the board of directors, shall preside at all meetings of the board and of the executive committee; shall be a member ex officio of all committees, and, in the absence of the chairman of the board, shall call meetings of the board of directors. Subject to the approval of the executive committee, he may appoint such officers and assistants as he may require, who shall perform such duties as from time to time may be assigned to them by him, and, subject to like approval, he may at any time remove any such officer or assistant. In the case of the absence or disability of the president, his powers and duties shall devolve upon and be exercised by a vice-president.

The chairman of the board of directors shall preside at all meetings of the board and of the executive committee, and, ex officio, shall be a member of all committees. He shall call meetings of the board of directors when he deems it necessary; shall act generally as the financial executive of the company, with full power in his discretion to examine the accounts of all agents, officers, and employees, and he shall have general supervision of the affairs of the company, subject to the board of directors and of the executive committee.

In witness whereof we have hereunto set our hands and seals, respectively, the 1st day of May, 1900.

HENRY C. EVERDELL. [SEAL.]
ARMITAGE MATHEWS. [SEAL.]
JOHN B. SUMMERFIELD. [SEAL.]
JAS. C. YOUNG. [SEAL.]
GEO. E. SPENCER. [SEAL.]

Signed, sealed, and delivered in the presence of—
ARCHIBALD M. LANGFORD.

STATE OF NEW YORK, *County of New York, ss:*

Be it remembered that on this 1st day of May, 1900, before me, the subscriber, a commissioner of New Jersey in New York, personally appeared Archibald M. Langford, who, being by me duly sworn, on his oath did depose and say that he saw Henry C. Everdell, Armitage Mathews, John B. Summerfield, James C. Young, and George E. Spencer, the persons named in the foregoing certificate, sign, seal, and

deliver the same, as their voluntary act and deed, and that he, deponent, at the same time subscribed his name thereto as a witness of the execution thereof.

ARCHIBALD M. LANGFORD.

Sworn to and subscribed before me at New York City the day and year aforesaid.

[SEAL.] ALFRED MACKAY,
Commissioner for State of New Jersey in New York.

STATE OF NEW YORK, *City and County of New York, ss:*

On this 1st day of May, 1900, before me, the undersigned, personally appeared Henry C. Everdell, Armitage Mathews, John B. Summerfield, James C. Young, and George E. Spencer, who, being by me duly severally sworn, did severally depose and say that they are all of the original incorporators of the National Starch Company, as set forth in the foregoing certificate, and that no part of the capital stock of the National Starch Company has been paid in.

HENRY C. EVERDELL.
ARMITAGE MATHEWS.
JOHN B. SUMMERFIELD.
JAS. C. YOUNG.
GEO. E. SPENCER.

Subscribed and sworn to before me at the city of New York the day and year aforesaid.

[SEAL.] ALFRED MACKAY,
Commissioner for State of New Jersey in New York.

(Indorsed:) Received in the Hudson County, N. J., clerk's office, May 2, A. D. 1900, and recorded in the clerk's record No. ——, on page ——. Maurice J. Stack, clerk. Filed May 2, 1900. George Wurts, secretary of state.

STATE OF NEW JERSEY, DEPARTMENT OF STATE.

I, George Wurts, secretary of state of the state of New Jersey, do hereby certify that the foregoing is a true copy of the certificate of incorporation of "National Starch Company," and the indorsements thereon, as the same is taken from and compared with the original filed in my office on the 2d day of May, A. D. 1900, and now remaining on file therein.

In testimony whereof I have hereunto set my hand and affixed my official seal, at Trenton, this 18th day of January, A. D. 1901.

[SEAL.] GEORGE WURTS, *Secretary of State.*

By-laws of National Starch Company.

ARTICLE I.—*Meetings of stockholders.*

SECTION 1. The annual meeting of the stockholders shall be held at the principal office of the company in the state of New Jersey on the last Tuesday of April in each year after the year 1900, at 12 o'clock noon. The polls shall be open from 12.15 to 1.15 p. m., under the supervision of two or more inspectors (no one of whom shall be a candidate for the office of director) to be appointed by vote of the stockholders present or represented by proxy at the meeting.

SEC. 2. Special meetings of the stockholders may be called by order of the board of directors, and shall be called whenever stockholders of record owning one-fifth of the capital stock of the company, issued and outstanding at the time, shall in writing make application therefor to the directors, stating the objects of such meeting. The business transacted at special meetings shall be confined to the objects stated in the call.

SEC. 3. Notice of the time, place, and object of each annual or special meeting of stockholders shall be mailed to each stockholder at least 10 days before the date specified for the meeting, addressed to his place of residence or business, as the same appears in the list of addresses which shall be kept by the secretary of the company.

SEC. 4. At all meetings of stockholders, each share of stock, preferred or common, shall entitle the owner thereof of record, or his proxy, to one vote. At all meetings of the stockholders, a majority of the shares of stock, issued and outstanding at the time, represented either in person or by proxy, shall constitute a quorum. Meetings at which less than a majority of stock is represented may, however, be adjourned to a future date by those who attend.

ARTICLE II.—*Directors.*

SEC. 1. The directors shall consist of 19 stockholders or of such number as may by amendment hereof be from time to time prescribed.

The first board of directors shall be elected by ballot at the first meeting of the incorporators and stockholders of the company, and shall be divided in respect to the time for which they shall severally hold office into 3 classes: The first class, to be composed of 2 directors, shall be elected for a period of 1 year; the second class, to be composed of 2 directors, shall be elected for a period of 2 years; the third class, to be composed of 1 director, shall be elected for a period of 3 years. After the first election and as the terms of office of the directors then chosen expire, the directors shall be elected respectively for the term of 3 years.

SEC. 2. A majority of the directors shall constitute a quorum for the transaction of business. A less number may adjourn from time to time.

SEC. 3. The board of directors shall meet for the election of officers and the transaction of business without unnecessary delay after each annual meeting of the stockholders.

SEC. 4. The directors may hold their meetings and have an office and keep the books of the company, except the stock and transfer books, at such place or places outside of the state of New Jersey as may be fixed by them.

SEC. 5. The board of directors shall annually elect by ballot from among their own number a president, one or more vice-presidents, and a chairman of the board of directors, and shall elect or appoint, either from their own number or not, as the board in each case elects, a secretary and a treasurer and such other officer or officers, and with such powers, as may by resolution be determined. The offices of secretary and treasurer may be united in one person if and whenever the directors so elect.

SEC. 6. The directors shall have the power to fill any vacancy occurring in their number or in any office, and any person elected to fill a vacancy in the board of directors shall hold office for the remainder of the term of the director whom he succeeds.

SEC. 7. Meetings of the board of directors may be called at any time by the chairman of the board of directors or, in his absence, by the president. The directors shall be notified in writing of the time and place of all meetings of the board at least 3 days prior thereto. Any director may, however, in any instance waive such notice in so far as he is concerned.

ARTICLE III.—*Executive committee.*

SEC. 1. The board of directors may appoint 5 of their number, who, with the president and chairman of the board of directors, shall constitute an executive committee, which committee shall have and exercise the powers of the board of directors in the intervals between the meetings of the board in the management of the business and affairs of the company, all acts of said committee to be reported to the board of directors at its meeting. The secretary of the company shall keep minutes of all meetings of the executive committee, which shall be from time to time submitted for approval to the board of directors. Four members of the executive committee shall constitute a quorum.

ARTICLE IV.—*President.*

SEC. 1. The president shall have the general management of the manufacturing business and property of the company, subject to the provisions of these by-laws, and, in the absence of the chairman of the board of directors, shall preside at all meetings of the board and of the executive committee, shall be a member ex officio of all committees, and, in the absence of the chairman of the board, shall call the meetings of the board of directors. Subject to the approval of the executive committee, he may appoint such officers and assistants as he may require, who shall perform such duties as from time to time may be assigned to them by him, and, subject to like approval, he may at any time remove any such officer or assistant. In case of the absence or disability of the President, his powers and duties shall devolve upon and be exercised by a vice-president.

ARTICLE V.—*Vice-presidents.*

In case of the absence or inability of the president, the duties of his office shall be performed by one of the vice-presidents. The several vice-presidents shall have such powers and duties as the board of directors may prescribe.

Article VI.—*Chairman of the board.*

The chairman of the board of directors shall preside at all meetings of the board and of the executive committee and, ex officio, shall be a member of all committees. He shall call meetings of the board of directors when he deems it necessary, shall act generally as the financial executive of the company, with full power in his discretion to examine the accounts of all agents, officers, and employees, and he shall have general supervision of the affairs of the company, subject to the board of directors and to the executive committee.

Article VII.—*Secretary.*

Sec. 1. The secretary shall be sworn to the faithful discharge of his duties. He shall keep accurate minutes of the proceedings of the meetings of the stockholders and of the board of directors and of the executive committee, and shall be the custodian of the same. He shall also record all votes of the directors, stockholders, and executive committee in a book to be kept for that purpose.

Sec. 2. He shall have charge of the corporate seal of the company, and shall in the course of its business affix the same to all certificates of stock issued, and, when authorized by the board of directors or by the executive committee, shall affix the seal to contracts and other instruments.

Sec. 3. He shall, under the direction of the board of directors or executive committee, give all notices required for the election of directors and meetings of the directors and stockholders.

Sec. 4. He shall have charge of all records, resolutions, and papers after they have been acted upon by the board, and also of all letters and papers pertaining to the affairs of the corporation.

Sec. 5. The transfer books of the company shall be kept under his direction.

Sec. 6. He shall perform such other duties and have such other powers as may be prescribed by the board of directors.

Sec. 7. In the absence of the secretary, the board may appoint a secretary pro tem. to make records of its meetings and to do whatever else pertains to the office.

Article VIII.—*Treasurer.*

The treasurer shall give bonds for the faithful discharge of his duties in such amounts and with such sureties as the directors may from time to time require. He shall have charge of all funds of the corporation, and shall deposit the same to the credit of the corporation in such place or places as the board of directors or executive committee may direct from time to time, and shall disburse the same under their direction. He shall sign all checks of the company, which shall also be countersigned by the chairman of the board, the president, or one of the vice-presidents.

Article IX.—*Transfer and registration of stock.*

All transfers of stock shall be signed by the stockholder in person or by attorney in a book to be provided for that purpose. At the time of transfer the old certificate for the shares transferred shall in each case be surrendered and canceled and a new certificate issued in lieu thereof. All certificates of stock issued shall bear the seal of the company and shall be signed by the president and the treasurer. The board of directors may make and from time to time alter and amend suitable regulations providing for the registration of certificates of stock.

Article X.—*Dividends.*

Sec. 1. All dividends upon the preferred stock shall be declared quarterly, on the first days of October, January, April, and July in each year. The dividends on the common stock shall be declared annually on the first day of July in each year, but the board of directors may declare dividends on the common stock quarterly on the dates fixed for declaring dividends on the preferred stock.

Sec. 2. The power to fix the amount to be reserved as a working capital for the corporation is vested in the directors, and the right to dividends from profits shall be subject thereto.

Sec. 3. The preferred stock shall receive quarter-yearly dividends at the rate of and not exceeding 6 per cent per annum after July 1, 1900. Such dividends shall be cumulative, and if the profits of any one year declarable as dividends shall not be

sufficient to pay such dividends for such year at the rate of 6 per cent per annum upon said preferred stock, then the same shall be made up from profits of a later period until the full amount of dividends herein specified, without interest, shall have been paid upon the preferred stock, before any dividend is declared or paid on the common stock. The balance of the net profits of the company declarable as dividends shall be distributed among the holders of the common stock at such times (semi-annually or quarterly) as may be fixed by the board of directors. The par value of the preferred stock and accrued and unpaid dividends thereon shall also, in the event of the dissolution of the company and division of its assets, be paid in full before any sum whatever shall be paid on account of the common stock, and thereafter the common stock shall be entitled to the entire assets remaining. The earnings of the company in excess of interest and sinking-fund charges and dividends on preferred stock may be used in the purchase and redemption of its preferred stock at such times and on such terms as the by-laws may provide.

ARTICLE XI.—*Order of business.*

The order of business at meetings of directors shall be as follows:

1. Reading unapproved minutes of previous meetings of the board and of the executive committee.
2. Reports of officers.
3. Reports of committees.
4. Unfinished business.
5. Miscellaneous business.

ARTICLE XII.—*Seal.*

The corporate seal shall contain the words "National Starch Company," surrounding the date "1900."

ARTICLE XIII.—*Amendments.*

Any one or more of these by-laws may be altered, amended, added to, or repealed at any meeting of the board of directors by a vote of two-thirds of all the directors, or at any meeting of the stockholders by vote of a majority in interest of the stockholders, and not otherwise, provided such amendments are not inconsistent with the provisions of the certificate of incorporation of the company.

I hereby certify that the foregoing is a just and true copy of the by-laws of the National Starch Company as now in force.

In witness whereof I have hereunto set my hand and affixed the seal of said National Starch Company this 12th day of April, 1901.

[SEAL.] J. D. HIGGINS, *Secretary.*

TRADE OF THE AMERICAN CHICLE COMPANY.

Q. (By Mr. JENKS.) I want to ask something further as to the extent of the output of some of these companies. You gave the output of the rubber companies. About what proportion of the output of chewing gum does the Chicle Company produce?—A. Well, it produces all the standard brands, and I should say that would represent about 65 per cent of the consumption of the United States.

Q. Is there much of an export business in gum?—A. Not as yet. We have found difficulty in educating the English and others to the use of chewing gum.

THE EXPORT TRADE IN RUBBER GOODS.

Q. With reference to the rubber goods, is there much exporting of either class of goods?—A. Roughly, a little less than 5 per cent.

Q. Of the rubber shoes or rubber goods?—A. Well, of all rubber goods.

Q. (By Mr. CLARKE.) Is there not an increasing foreign demand for rubber shoes?—A. The difficulty with extending the export business in rubber shoes lies in the fact that we are paying in our factories about double the rates of wages which are paid in the foreign factories; and inasmuch as the manufacture of rubber boots and shoes is largely dependent on hand labor, we can not develop a very large export business on account of that handicap. It is an industry that we have created in the United States, and some of our people established the business in Europe; but as the rates of wages are so much higher in the United States, and as we have no advantage over

Europe in securing the raw material, I do not think we are likely to develop a large export trade. In the case of steel and cotton goods we have an advantage, inasmuch as we produce the raw material in the United States; and in those articles the percentage of labor is very much less than in the manufacture of rubber shoes. In the case of rubber shoes we have to import the raw material from foreign countries, and therefore have no advantage over the European manufacturer.

SUBSTITUTES FOR RUBBER.

Q. (By Mr. LITCHMAN.) Has there been much attention given to a substitute for rubber in the manufacture of rubber goods?—A. I have been in the crude rubber business for 23 years. During that 23 years no 3 months have elapsed that some man has not come into my office and presented to me a rubber substitute that could be made for 10 cents a pound as against the cost of rubber averaging 90 cents a pound. I have investigated every proposed rubber substitute that has been presented to me for the past 23 years, and have a laboratory for the purpose of making those investigations at the present time. So far we have not found a rubber substitute.

Q. (By Mr. KENNEDY.) Are there not now upon the market some articles that are made from substitutes of rubber?—A. There are parties using so-called substitutes for rubber; but the principal value of rubber lies in its elasticity, and so far no substitutes have been found that have any considerable amount of elasticity, and instead of being called substitutes they ought to be called adulterants.

Q. Inferior hose, for instance?—A. Oh, yes; wherever used. For instance, one of the rubber-shoe companies, as I am informed, has commenced to use a large amount of what is called mineral rubber, which is made very largely from gilsenite, a hydrocarbon found in Utah, and of course it cheapens the price of the shoes in which that rubber is used to a considerable extent, but they have far less elasticity, and to my mind there is a corresponding reduction in quality.

Q. (By Mr. LITCHMAN.) Are these substitutes used independently or always in connection with some proportion of rubber?—A. Always in connection with some proportion of rubber.

INCREASE IN THE PRICE OF RAW PRODUCTS USED IN RUBBER MANUFACTURE.

Q. Is it not true that there has been a marked increase in the price of the raw product?—A. Yes; inasmuch as rubber is produced in countries of comparatively small populations and is used in countries of rapidly increasing populations, and as the uses of rubber are constantly increasing, there has been under the working of the law of supply and demand an increase in the price of crude rubber, although the production of crude rubber increases at the rate of about 6 per cent per annum. The prices of rubber of the standard grade, which averaged in the seventies about 70 cents a pound, averaged in the nineties about 90 cents a pound.

Q. How large a proportion of the raw product of rubber is consumed in the United States?—A. About one-half.

Q. You think then the combination of the rubber interests in the United States has no power in keeping down the price of raw material?—A. So far they have prevented any great speculative advance in the article. Before the organization of the industrials to which we have referred, the speculators on two occasions advanced the price of rubber about 60 per cent. Since the organization of these industrials these companies and affiliated interests have held sufficiently large stocks of rubber to avoid any radical speculation in the article; but inasmuch as the demand and new uses have gone on so generally, they have not been able to keep down the price of the raw material.

Q. When you speak of the United States being the market for 50 per cent of the raw product, do you take into consideration the electrical appliances as well as rubber goods and shoes?—A. Yes; but the percentage of rubber that is put into insulating material is small, from the fact that the principal value of rubber is elasticity; and while there is a large volume of insulating material used, the percentage of rubber in that material is comparatively small.

Q. Does that apply also to ocean cables?—A. Yes.

FOREIGN COMPETITION IN THE RUBBER TRADE.

Q. (By Mr. FARQUHAR.) You spoke of the wages in the American manufacture being twice what they are in the European. What protection have you under the present American tariff for your manufacture?—A. Thirty and 25 per cent.

Q. Now, how much of a competition have you in this country from foreign manufacturers?—A. Very little.

Q. Could you give the commission an idea of the percentage of imports of foreign manufactured rubber goods and of home consumption?—A. The rubber industry has been an American creation. We have developed the industry, and our people prefer the American styles of rubber boots and shoes—they are much neater—and I do not think that we import of rubber goods more than one-fourth of 1 per cent of the consumption of the United States. We have taught them how to make rubber goods, but we have not told them all we know; consequently we understand the manufacture of rubber goods better than they do in Europe. They are constantly trying to obtain information from us, using every means to get at our methods of manufacture, but we do not educate them any faster than is absolutely necessary.

Q. Can you say that this import duty of 30 per cent on one class, and 25 per cent on the other, amounts to a full exclusion of competition from foreign manufacturers?—A. I have never had any occasion to make any comparisons from the fact that, with the exception of mackintoshes, our people do not want the foreign goods—the styles do not suit them—so that we never have considered these foreign goods as competitors. On the other hand, we export rubber goods to Europe, and although owing to our higher wages here the goods cost us more, there are certain people abroad who will pay for better manufacture and superior styles and fits.

HOME COMPETITION IN THE RUBBER TRADE.

Q. Would you say that the American manufacturers supply the whole home demand?—A. The 2 companies that I speak of?

Q. Yes.—A. They handle about 55 to 60 per cent of the business of the United States. There is 40 to 45 per cent outside of those companies.

Q. According to your own knowledge of the business, do you think that there is considerable competition in rubber goods between the various companies, or is there a general agreement on scales either tacitly or commonly agreed upon?—A. There are no agreements. There is competition in every instance in all rubber goods except where the Government has granted a monopoly under its patents.

Q. Then there is competition of the lesser manufacturers against the greater ones on goods that are not patented?—A. Yes; there is a general competition.

Q. Is it an active competition?—A. Yes.

Q. Do the lesser concerns follow the greater on account of the arbitrary prices made by the greater?—A. No; except—there is one other exception that I want to make in addition to that of the patent monopoly—except where we can own trade-marks that give us the trade; but otherwise than the business coming under those two exceptions there is general competition.

Q. Could those two companies name the selling rates?—A. Only on goods protected by patents and where there are exceptionally valuable trade-marks. Otherwise we have to bow to that economic law that the lowest price makes the market.

Q. As a business man how far do you think that principle extends in practice? How much of a monopoly or percentage of a monopoly would you need to have to be able to control and name the price? Would 90 per cent control it?—A. It would for a time; but if a concern controlling 90 per cent of the business put prices above the normal profit rate, that 10 per cent would increase every year and increase rapidly; so that in order for a large combination to hold the trade it would be necessary for them to compete, to sell at a price that would not attract an increase in the business on the part of those outside the combination.

THE TARIFF AND THE RUBBER INDUSTRY.

Q. (By Mr. Kennedy.) You say that your secrets in manufacturing give you an advantage over the manufacturers of Europe?—A. Yes.

Q. They are looking for your secrets all the time?—A. Yes.

Q. Well, you said also the American people have no desire for the European products. They are educated up to yours?—A. They have not shown any. They have not purchased any rubber goods abroad except the mackintoshes. There have been quite a number of European mackintoshes sold in this country, but the importation of mackintoshes has been very much reduced, so that the American manufacturers are supplying the great bulk of that demand.

Q. Now, I would like to ask you what benefit you get out of this tariff on rubber goods?—A. Well, we have not had any occasion to investigate the matter. We do not know how far that protection is of advantage to us.

Q. You know that Mr. Havemeyer said that the protective tariff was the mother of all trusts. I would like to ask you if that is true in regard to this combination of yours, whether the tariff has enabled you in any way to make a combination?—A. No; the relation of the tariff to the rubber industry has received practically no

consideration on the part of rubber manufacturers, except in the case of rubber clothing, which would amount to, say, less than one-half of 1 per cent of the total industry. Very few rubber manufacturers could tell you what the percentage of the duty is. They have not given it any consideration.

Q. (By Mr. LITCHMAN.) Is it not true that the manufacture of mackintoshes is protected in this country by the tariff?—A. Yes; but there are people who insist on wearing English clothes, and they are supplied by the mackintoshes of London.

Q. Then, as the promoter of this combination, you are not able to say whether the tariff is any benefit to you or not?—A. I could not say. I assume that if the tariff was entirely removed it might be that some parties would take advantage of the lower rates of wages in Europe. In fact, Americans would be very likely to establish factories abroad, utilizing the cheap labor, and then to bring the products into this country. The most important rubber factory in Great Britain, for instance, was established by an American. He took the machinery over there and established the business in Edinburgh. Well, in the event of the tariff's being taken off, I should say that the rubber manufacturers would take advantage of the low-priced labor and take American methods to Europe, and combining with their cheap labor, would be able to produce rubber goods cheaper than they could be produced in the United States.

Q. Is the Apsley Rubber Company, formerly the L. D. Apsley Company, of Hudson, Mass., a part of your company?—A. No; Mr. Apsley is outside of the companies I have named.

Q. I heard Mr. Apsley make the assertion that if it was not for the tariff on mackintoshes he could not run his factory without a marked reduction of the wages to labor.—A. I think that is correct, but I have had no occasion to make any special study of that question.

Q. (By Mr. CLARKE.) Is it not a fact that the prices of mackintoshes have declined fully one-half since the enactment of the McKinley tariff in 1890?—A. I think so; yes.

Q. Was it possible to procure a good American mackintosh prior to that time?—A. Well, I could not answer that question; but in general I can state that there has been a very great reduction in the price of American mackintoshes, and that the American manufacturers have possession of the home market.

Q. Are you able to state when that American manufacturer established his business in Edinburgh?—A. About 35 years ago.

Q. Do you know how the business has flourished?—A. It is very successful; we taught them a new industry.

Q. Does that business cover the whole range of rubber goods, or is it confined to specialties?—A. It covers quite a wide range, a wider range than is covered in most of our factories in the United States.

RELATIVE EFFICIENCY OF THE AMERICAN AND EUROPEAN LABORER.

Q. Are you familiar enough with the labor in the industry in this country and in Europe to say anything with regard to the relative efficiency of labor here and there?—A. Well, in general, I believe that American labor is more efficient than European labor; but I think that in general such is the case where the American workman is bossing the machine, where he occupies the position of an overseer. The machinery is doing the work that pauper labor is doing on the other side. But in the manufacture of rubber boots and shoes, and in industries where the greater part of the work can not be done by machinery, but is done almost entirely by hand labor, I am satisfied that you can get more labor for your money in Europe than you can in the United States. The fact of it is, if you will examine our exports, you will find that a large percentage of our exports of manufactured goods are the products of machinery, where the American workman is an overseer instead of a hand laborer. On the other hand, you will find that the neutral markets are supplied by the cheap-labor countries with articles in the production of which hand labor predominates.

WASHINGTON, D. C., *April 8, 1901.*

The commission met at 2.08 p. m., after recess, Mr. Farquhar presiding.

Mr. CHARLES R. FLINT again on the stand and examination resumed.

RELATIONS EXISTING BETWEEN THE AMERICAN BICYCLE COMPANY AND THE RUBBER GOODS MANUFACTURING COMPANY.

Q. (By Mr. JENKS.) I have here a clipping with reference to some arrangements made between the American Bicycle Company and The Rubber Goods Manufacturing Company, by which the said bicycle company sold some of its rubber plants and

took in payment stock of The Rubber Goods Manufacturing Company. Will you explain what that arrangement was and how it happened to be brought about?—A. Several of the concerns manufacturing bicycle tires, which are included in The Rubber Goods Manufacturing Company, found that 40 of their customers had united in a company known as the American Bicycle Company, and the American Bicycle Company owned 3 rubber manufacturing companies and were in a position to manufacture all the tires they required. The situation was one that required a compromise in order to conserve all interests, and, after some negotiation, the American Bicycle Company sold to The Rubber Goods Manufacturing Company the rubber companies which they owned, The Rubber Goods Company paying for the same part cash and part securities. The reference to which you refer applies to that transaction.

Q. I suppose that in a case of that kind, where by buying out a company you get control of two or three of the more popular tires, the company so bought out obligates itself not to go on manufacturing its own tires, and perhaps makes a regular contract to take a large amount of tires from you for a period of time?—A. Well, in this case The Rubber Goods Company owned desirable trade-marks, and in some cases the bicycle sells the tire, and in the other cases the tire sells the bicycle; so that in order to protect itself the American Bicycle Company insisted that a contract should be made whereby they could secure tires with these desirable trade-marks.

Q. A case of another form of combination between combinations?—A. Yes; it is a case of harmonizing a condition that would otherwise produce conflict and waste of energy.

ADVANTAGES AND DISADVANTAGES OF A CENTRALIZED MANAGEMENT.

Q. You spoke some time ago with reference to the advantages or savings that came from concentration of management, and then later, in another connection, of the advantages that came from stimulating individuality in the management of plants. I wish you would develop that thought a little further, if you will, and speak of the kinds of industry that are particularly adapted for the concentration of management, and of the others where the retaining of the individuality in management is the more desirable plan.—A. Well, in general I think that a centralized management is the most desirable if there are men of sufficient intellectual ability to administer an extended business. It is difficult to find a man of sufficient ability to run one large business, and there are not a great many intellectual giants that have the ability to run ten or more large businesses. In my judgment one of the dangers to the success of industrials is that parties, without being intellectual giants, are liable to attempt to centralize too much. Taking men as they are, I think that in businesses where high-class ability is required at many places, and where the business is not of such a character that its conduct can be reduced to rules, and where its success depends on local ability and local judgment, and where the efficiency of the selling department is involved with long-time personal relations, such a business it may be very dangerous to suddenly centralize. It is far wiser, I think, in a case of that kind, to sustain the independence and individuality of the separate concerns. In that way you have the advantage of the organizations that have created those concerns, and by an adjustment of compensation, based somewhat upon the earnings of those individual concerns, you sustain the individual interest that is essential to success. At the same time your central organization has the advantages of comparative accounting and comparative administration, and is able to hold the separate concerns to a strict accountability, or, by appealing to their pride, to promote a healthy spirit of rivalry. In many cases it is my judgment that this idea of centralization can be carried too far, and that it is often much better to have these concerns run independently. Now, it may be said that you do not get the full benefits of centralization. That is very true. But, on the other hand, I believe you get a more efficient management than you would by centralization. Under that plan, through a system of comparative accounting, you are enabled to measure the different managements, and you can go a long way toward bringing the standard of all up to the standard of the best, and in case of any great situation arising—for instance, like the one you have just brought up, where 40 important customers suddenly united—it can be better handled. An individual concern could not have dealt with that problem successfully. The Rubber Goods Manufacturing Company were able in the above case to deal with the problem and make an arrangement that was for the common benefit.

COMPARATIVE ACCOUNTING AND SUPERINTENDENCE.

Q. You speak of this system of comparative accounting. In your own establishments how frequently do you get reports?—A. Every month.

Q. So that you can compare each one of the separate establishments every month?—A. Yes.

Q. That is true of all the combinations in whose management you are active?—A. Yes, practically true of all of them.

Q. You spoke of comparative accounting as one method, and of arranging the pay of the superintendents in part by commissions on the profits of the business as another method. Are you inclined to think that those two methods may practically take the place of the regular competitive system, in the way of holding up the standard of excellence in work, and holding up also the interest of the superintendents?—A. I have not any question but that we can thus hold up the standard of quality. In most cases I think that the pride which a man, knowing that his work is being compared with others', has in handling his business successfully, together with the incentive given him by reason of an interest in the profits of the business he is managing, keeps up that individual interest that exists where the person possesses a large ownership. But in many cases it does not; the fact of it is, that one of the fundamental difficulties of the management of these corporations lies in the fact that the managers have a smaller percentage of interest in the operations that they are conducting under the plan of an industrial combination than they had when it was an individual property or when they had a large interest in a small corporation. That is fundamental. There is no way in which that condition can be changed. My experience has been that the best way to meet that condition is through an accurate system of comparative accounting, and in that accounting it is advisable not only to compare general results, but to compare details so as to find the cost of different parts of the process. At the same time it is advisable to have the managers interested in the profits of the business. That comes as near as possible to solving the difficulty. On the other hand, there are lines of business of such a character that they can be all handled from a central office. Such a business can be reduced to a very accurate system. For example, the manufacture of metals can probably be reduced to a more accurate system than the manufacture of rubber goods, since in the former there is no way in which you can utilize the chemist to any extent. You can not lay down any positive rules as to chemical combinations, because those materials are constantly fluctuating, and there is such a great variety of conditions to meet that the business of manufacturing rubber goods must largely depend on local intelligence, and that necessitates high-class ability in the local management. In the case of The Rubber Goods Manufacturing Company, the salaries of the chief executive officers are very small as compared with the salaries of local managers. The salaries of the local managers will average three times the salaries paid to the chief officials of the corporation.

Q. That does not hold where the industry is more concentrated, of course?—A. In case of concentration the big salaries are at the top.

Q. That brings up another question in connection with the relations of the combinations to the labor interests. We have already spoken of the relations of traveling salesmen; how about superintendents in your factories? When you make a combination are you generally able to save any considerable part of the cost of superintendence?—A. Only by centralized manufacture. There is some saving in superintendence, but that is not a large item.

Q. The more the industry is concentrated the larger that item would become?—A. Yes.

ATTITUDE OF INDUSTRIAL COMBINATIONS TOWARD TRADE UNIONS.

Q. How about the relations of the combinations to the hand labor—the workingmen in the trade unions? What is the attitude of the combination toward trade unions?—A. Well, we have never had a strike in any industry that I have been connected with, and that is the best evidence that we get on very well with our laboring men.

Q. Do you know whether the laborers in your factories are union men or not?—A. I do not know.

THE TARIFF QUESTION (RESUMED).

Q. I wish you would consider a little further this question of the tariff. You spoke of it in considerable detail in reference to rubber manufacturing. How do you consider the tariff as related, for example, to the manufacture of starch?—A. Inasmuch as we are the cheapest producers of corn, and the manufacture of starch is conducted principally by machinery and not by hand labor, I think that the question of the tariff is of very little importance as relating to that industry.

Q. As regards practically all your industries—the rubber, chicle, and starch—the tariff, then, has practically very little to do with them?—A. That is true. But in the case of rubber and rubber goods, and particularly the manufacture of boots and shoes, inasmuch as the great percentage of the labor is hand labor, the removal of

the duty might force the company to manufacture its goods in Europe in order to avail itself of the cheaper labor of Europe. But in the case of the manufacture of starch I think we get cheaper labor than we would get in Europe, because it is a question of the laborer occupying the position of overseer over machinery; and the American overseer being, in my judgment, a man of greater efficiency and higher intelligence than the European laborer, I think we get more for our money than they get in Europe.

Q. The statement is frequently made that these larger combinations are able to put the prices of their goods unduly high on account of the protective influence of the tariff; and the suggestion is even made that the tariff should be removed in order to prevent the abuses of trusts along that line. What is your opinion on that question?—A. In general, I think that every year our export trade is going to become of greater importance, and I think we should tend to freer trade. The only danger that exists at present in international trade is the danger of a war of tariffs; and in revising duties the fact of these large consolidations being in a position to gain advantages in manufacture through centralization should be taken into consideration. But I think that any legislation that would discriminate against trusts in general without differentiating would be most disastrous to labor interests and would create an industrial panic.

Q. You think combinations have been useful and efficient in the way of stimulating the export trade?—A. I have no doubt that they have; and the best evidence of that is the fact that the great bulk of our exports of manufactured goods is produced by great combinations.

Q. Do you think there is danger, on account of the tariff, of their keeping prices high enough here so as to make their profits secure, and then holding the foreign market by too low a reduction of prices to foreigners—selling abroad steadily considerably cheaper than they do here?—A. That condition does not prevail. There are times when there is a surplus, when manufacturers will seek a foreign market at a concession. That is true in all manufacturing countries. It does not apply especially in the United States, but it is true in all countries. It is true in England, where there is free trade.

Q. Is there any difference in that particular between trust-made goods and those made independent of trusts?—A. No difference. On the contrary, there was far more of a disposition to make concessions before these combinations, from the fact that individual manufacturers were more under the pressure of necessity to realize on their investments. The great industrial combinations, by reason of the great advantage they have in regulating production, avoid excessive production, and therefore are less likely to be under financial pressure. I make that statement from the fact that Flint, Eddy and American Trading Company are the largest buyers of general manufactured goods for export, so that I am coming in constant relations with manufacturers in that branch.

Q. You are more likely, then, to get your special export bargains from those outside of combinations than from those inside?—A. That was true before the organization of these industrial combinations, when there was excessive production and when rivalry was such that in order to keep factories running more goods were produced than this country would take, and then, under financial pressure, the manufacturers had to make a sacrifice in order to realize cash. In that it is customary to pay cash for all goods bought for export, that was the easiest way for them to realize; but owing to the financial responsibility of these combinations and the fact that production is thereby regulated—they do not go to great excesses in production—that pressure does not come about.

Q. (By Mr. Kennedy.) You said if the tariff were removed it was probable the American manufacturers would go to Europe to get advantage of the cheaper labor?—A. I said that would be the case in branches of manufacture where hand labor represented a large percentage of the cost of the goods.

Q. Would he necessarily be forced to go abroad as long as he controlled these trade secrets which you said enabled him to manufacture a very superior article of rubber goods as compared with the European?—A. No; not in cases where the trade secrets were of sufficient importance to counterbalance the difference in wages. In the same way to-day the laborer is getting to a large extent the advantage of the economies which result through centralization.

Q. You spoke so highly of these advantages that the American manufacturer possessed in these secrets that we might be led to believe that they more than counterbalanced the difference in wages in the two countries?—A. That is only true to a limited extent. Our advantage over the European in trade processes is not such that it would apply to the trade in general, although it would apply in some specific cases.

Q. Then, if you moved your plant abroad, you would be simply on a level with the European manufacturer in competing with him for the American market?—A. We would to a certain extent. We might have an advantage over the European manufacturer in industries that have been developed in this country. That is to say, we would have the advantage of superior methods and at the same time we would utilize the cheap labor of Europe.

Q. You think the tariff, then, is necessary to keep the American manufacturer from going abroad and getting the benefit of the cheaper wages of Europe?—A. I think so only in those industries where hand labor represents a large percentage of the cost and where we have no advantages in securing raw material. But in cases where we have the raw material, and where the American laborer is bossing the machine, I think we have a permanent advantage, and in those industries I think we can afford to let up a little on pleading "infant industries."

Q. (By Mr. FARQUHAR.) When you speak of a change in the tariff—any modification at all—do you think an advantage, however large theoretically, would practically justify the cutting of the tariff in two on any article? Do you think it subserves the whole interests of the country to tinker with the tariff in that way?—A. I think tinkering with the tariff has always been decidedly prejudicial to business interests. It creates unrest and uncertainty. Still, if there is to be a change, we should tend to freer trade. Considering the fact that we have a balance of trade in our favor of $650,000,000, in dealing with the world at large we can lower the wall of protection rather than put any more bricks on top of it.

Q. How far would you lower the wall in the admission of foreign goods in competition with American workmen?—A. I believe as a matter of national interest that wages should be sustained; but that in regulating the tariff there is no rule that will apply. Many matters must be taken into consideration. One thing I do know, any local legislation that would reduce the tariff on goods made by combinations would be most unwise, and I can not imagine any action that would be more prejudicial to the labor interests of the country than that, because it would result in the conditions to which I have referred; it would force the American manufacturers to go to the cheapest labor markets in the case of goods in which hand labor is an important item of cost.

Q. (By Mr. CLARKE.) What effect would it have on the competing industries here—those that are outside of the combinations?—A. It would prejudice them to a greater extent than it would the combinations from the fact that the former would have less financial ability to deal with a problem of that character. The corporations or combinations have surplus financial strength to deal with abnormal conditions, while the individual manufacturer is, as a rule, using his facilities up to their full extent.

Q. (By Mr. FARQUHAR.) These remarks about the modification of the tariff are predicated a good deal on the export trade, are they not? You are looking to the advantage of the export trade?—A. Naturally; having been engaged in the trade all my business life, I am very apt to look at questions from that point of view.

Q. Do you think that, under any conditions, an increase of the export trade by reason of a modification of the American tariff which might discriminate against American wages would be an advantage? That is, should we not rather seek a foreign market than maintain and hold a home market?—A. It is very important that we should have a widely distributed market. With a widely distributed market we are less subject to the effects of periods of contraction and expansion. I have noticed during periods of contraction that the manufacturers who have had foreign markets have run their factories and continued to have a satisfactory business, while the manufacturers who were dependent solely on the home market were under a very serious disadvantage. Consequently I think it is very desirable that we should do everything possible to extend our markets abroad. But there is no reason why we can not hold our home markets while extending our markets abroad. I do not see any substantial conflict of interest there.

THE POSSIBILITY OF WORLD-WIDE COMBINATIONS.

Q. (By Mr. KENNEDY.) If there should come world-wide combination in any industry—and it has been more than hinted at in some cases—where would the manufacturing be done? In the country where the labor is cheapest? Take the rubber industry for example.—A. No; that is, if other conditions remain the same, the manufacturing would be done in the countries where the merchandise could be produced to the best advantage with relation to the market for it. For instance, you have an example of what might almost be spoken of as a world combination in the Singer Sewing Machine Company. They have, I understand, about 50,000 employees.

They are manufacturing in different parts of Europe and in the United States. They are manufacturing in the United States for the United States market. The conditions that prevail in that case would prevail generally because that is a case quite in point.

Q. If you had a world-wide combination in your industry, you would not care whether there was a protective tariff in any country, would you?—A. Well, I do not think such an idea is practicable. To-day the limit of these combinations is the finding of men of sufficient capacity to handle such an extended business; and I do not think that such a combination is within the range of possibilities. If such a combination existed and one concern owned all the rubber factories of the world, it would be immaterial as to whether there was a tariff or not so far as that industry was concerned. However, it would be material to the labor interests of the country.

EXPORT AND DOMESTIC PRICES COMPARED.

Q. As an exporter of goods, can you specify any particular in which present duties stand in the way of exportation?—A. I can not.

Q. (By Mr. CLARKE.) Have you ever seen the statement of Mr. A. B. Farquhar, of York, Pa., a manufacturer of agricultural machinery, that he habitually sells his machinery abroad for less than at home?—A. I have not seen his statement, but in general I should say that there is no reason why the manufacturer of agricultural machinery in the United States should sell his machinery cheaper abroad, from the fact that it is generally recognized throughout the world that American agricultural machinery is the best that is made. We are selling a large amount of agricultural machinery in Europe, and I do not see any reason why it should not bring quite as high a price abroad, or a higher price, than it does at home.

Q. Is it your experience as a very large exporter that goods exported are generally sold lower abroad than at home?—A. No.

Q. Is there any difference in that respect between a free-trade country and a protected country? That is to say, do goods exported from a protected country sell abroad lower than goods exported from a free-trade country?—A. The best answer to that question would be by comparing the statistics of the exports of England, which is the important free-trade country, with the exports of the protected countries. I think you will find in general that the exports of Great Britain are considerably larger than the exports of any of the protected countries. Therefore it would appear that they are in a very good position to supply the neutral markets.

Q. Is it true that the exports from Germany have been gaining rapidly on the exports from Great Britain in recent years?—A. No; not rapidly.

Q. Are you familiar with the report of the royal commission which was made to Parliament many years ago—I have forgotten when it was made, but perhaps as long ago as 1850—to the effect that manufacturers of Great Britain habitually sacrificed hundreds of thousands of pounds a year in underselling manufacturers in the countries to which they export their goods, in order to gain foreign markets?—A. The price is regulated by the cost. That is the principal element. I do not think there has been any general policy on the part of the English to make important concessions. They have been working under the same law that all the rest of us have to work under; that is, that the lowest price makes the market; but there has been no special policy on the part of English merchants and manufacturers in that particular.

Q. Are you able to give the proportions between the foreign markets and the home market for all American products?—A. No. There are no statistics that give those proportions. We have no statistics of interstate commerce that enable us to make the comparison with our foreign trade; but as a rough guess I suppose that our exports of manufactured goods would not amount to over 5 per cent of the consumption in the United States.

THE QUESTION OF TARIFF REVISION.

Q. You have said there was no occasion to sacrifice the home market in order to gain foreign markets?—A. No.

Q. Therefore, as you are unable to specify any respect in which present duties stand in the way of exportation, what benefit can be derived from tariff revision in the direction of free trade?—A. The point I make is, that if there is to be a change it should be in the direction of freer trade; that the only danger that I see to international trade, in which we are now taking a constantly increasing interest, may arise through a war of tariffs. There should be a change of policy on the part of the United States in that we should have that fact in mind, because we would be far more prejudiced to-day by a tariff war than we should have been years ago, and we will be more prejudiced in the future, because we are becoming greater and greater factors in international trade.

Q. Then you would favor taking off duties where it can be done so as not to injure the home market, if by so doing foreign nations would be induced to let some of our goods into their markets at lower duties?—A. Yes; that is what I would favor.

Q. You would not do that to the extent of injuring the home market?—A. I should proceed with great caution in making such changes and would not injure the home market.

Q. (By Mr. FARQUHAR.) Would you make these changes under the general tariff itself, or under reciprocity treaties?—A. I regard the reciprocity theory as being the highest evolution of the protective policy, but I think there is danger in extending the reciprocity idea too far.

ADVANTAGES OF PATENTS AND TRADE-MARKS.

Q. (By Mr. LITCHMAN.) Can a so-called industrial combination retain permanent control of an industry unless fortified by the control of a patent?—A. They could retain it through the possession of a valuable trade-mark, providing they had the best manufacturing facilities and furnished the article at a low price to the consumer.

Q. When you speak of a trade-mark, do you refer to the name of a successful business that has been used through a series of years or to a registered trade-mark?—A. I mean a trade-mark that has been used through years of business.

THE MAINTENANCE OF MONOPOLY CONTROL.

Q. How far is monopoly maintained by crushing competition in its incipient state?—A. The only way that competition can be affected is by creating and maintaining facilities for the lowest cost of production. Industrial combinations, unless they are favored by public franchises or by Government patents, are subject to the law that I have quoted a number of times—"the lowest price makes the market."

Q. Does not a strong combination, already having control of the market and foreseeing competition from a new industry, have power to crush that new industry by underbidding it, even at a loss to itself, and thereby to prevent that incipient corporation from developing into a rival?—A. The great combination is subject to very great disadvantages in a case of that kind. Inasmuch as the output of a great combination is so very large, a reduction of price of small account to the individual concern is of enormous account to the combination. Therefore the condition must be very exceptional where a great combination would reduce prices, because the loss would be very heavy and very great. But if the great combination creates facilities for economic production, then they can hold a market by making a lower price to the consumer, and in my judgment when they have held a market in that way it results in the greatest good to the greatest number.

EFFECT OF COMBINATIONS ON WAGES.

Q. What is the effect on wages?—A. The effect on wages is, in my judgment, that they are to a very large extent sustained owing to the advantage which we get in producing goods by the centralization of manufacture. In making a market we figure up the cost. We say, European wages are 40 per cent less than ours. As against that we get an advantage through combination, through economic methods, through the use of special machinery made possible by centralized manufacture. The effect of these combinations is to give us an advantage that enables us to sustain wages in this country.

Q. What is the effect on the possibility of employment for the individual workmen?—A. At times these combinations, in order to produce under the most economic conditions, throw workmen out of employment; but in the United States there is sufficient employment during periods of prosperity (such as we are having now, when these great industrial combinations are working under the most advantageous conditions) to enable a workman to find employment in other lines, and the general effect is that the workman gets more money for his work, and he gets more produce for his money.

Q. Do you think it is easy for a man who has worked a good share of his life in any one industry to adapt himself to any other line of employment?—A. No; but I think that in general, in looking at the question from the point of view of the greatest good for the greatest number, there is a general advantage in the conditions that bring about a low cost of production. I think that is evidenced by the fact that in the history of the world there has never been a time when the wage earner was living as well as he is in the United States to-day.

Q. Do you think that is due to the combination of industrial enterprises or to combination among the workmen themselves?—A. I think it is largely due to the prosperity existing in the country, which has to a great extent been brought about by

these industrial combinations; but I always recognize the right of the wage earner to look after his interests.

Q. That leads up to the point I wanted to bring out, as to how far there is growing a community of interest between the employer and the employee in these large industries?—A. I think there is a growing feeling on the part of the workmen that they are being benefited by these conditions which are making this a period of prosperity.

Q. Do you think there is a sentiment among the managers of these corporations that it is wise to cultivate a friendly feeling with the workmen employed?—A. I think so; and it is with great satisfaction that I am able to state that no industry with which I am connected, or ever have been connected, has had a strike.

THE RATE OF WAGES.

Q. Your rubber combination, that started in 1892, covered the period of depression from 1894 to 1897, did it not?—A. It did.

Q. Was there any reduction in wages during that time?—A. No substantial reductions.

Q. Has there been any increase from that time to the present?—A. None of importance.

Q. Has there been any increase at all of wages in any of the combinations with which you are connected?—A. No material increase.

Q. But there has been no decrease?—A. There has been no substantial decrease. There may be cases, but no general decrease.

Q. Has there been an increase in the sense that work has been more permanent?—A. Yes; although we have at times to meet local conditions that are thoroughly familiar to the workmen. For instance, we have had 2 open winters, and that has affected the consumption of rubber boots and shoes. But the workmen understand that as well as the managers, and recognize that there was a natural curtailment of production. On the other hand, we have met these conditions by offering a special inducement to purchase, and we expect to be able to run our factories nearly full.

Q. Do you think that the success of industrial combinations will depend in any large degree on their being managed in such a way that they will not unduly oppress the consumer on the one hand nor depress the wages of the employees on the other?—A. I do.

Q. (By Mr. JENKS.) Do you think the influence and the added power that come from the combination—the added capitalistic strength and so on—would enable the managers to be stronger in power of resistance against a strike than they would be if they stood independent on the outside?—A. Well, that would be a debatable question. I have no definite ideas about it.

EFFECT OF COMBINATIONS ON PRICES.

Q. What is your judgment with reference to the effect of these combinations upon prices? You have spoken of the various savings that they make, and the fact that they would have to hold a market as against competitors by making the prices lower, which they could perhaps do on account of the savings in the cost of production. I judge, from other things you have said, that they have been able to make a somewhat larger margin between the cost of the production and the selling price than the individual competing manufacturers had previously been able to make.—A. I think the ultimate result is a reduction in prices; but that result does not always follow.

Q. The cause of combination, to begin with, is really the increased profits of those who go into the combination?—A. That is anticipated by those who go in.

Q. That would probably imply for a short time an increased margin between the cost of production and the selling price?—A. That becomes a question of wisdom of management. In general, I think it has been demonstrated that the most successful industrials have been those that have recognized the advantage of large value and low prices.

Q. I understood you to say, in answer to another question, substantially this: That while owing to their power they could temporarily push prices high, they could not hold the position permanently unless they kept the prices as low or lower than competitors could put them?—A. As low.

DANGER RESULTING FROM THE IMPROPER MANAGEMENT OF A GREAT COMBINATION.

Q. You have spoken several times as to the benefits that come from these combinations. I wish you would call our attention to the evils of these combinations as they appear to you from your experience. You have already mentioned one danger

in the lessening of a personal interest on the part of the superintendents and manufacturers. Perhaps you can think of some others?—A. Well, there is always the disadvantage that would result from the improper direction of a great combination—like a modern steamboat as compared with a canoe in case of misdirection. The responsibilities become very serious and, in general, unless substantial economies in production can be secured through combination, I think it is far better for the parties to run their business independently, because there is certainly a disadvantage in individuals turning over the management of their property to boards of directors. There comes a question of weighing advantages and disadvantages; but it would appear from the many combinations that have been formed, and are still being formed, that those best able to judge have regarded the advantages as outweighing the disadvantages.

Q. Are you inclined to think that there are a good many lines of industry where combination would not be advisable?—A. I think there are. In many cases I have refused to take part in assisting to bring about consolidations because I did not feel that there were any substantial economies to be secured. That is always the way I measure a proposition when it comes before me. At the very outset I study the question as to whether there are any important advantages to be secured by combination—advantages in reduced cost of production and distribution—if not, I advise parties against entering into a combination or attempting it.

INDUSTRIAL COMBINATIONS AND INVESTORS.

Q. (By Mr. Clarke.) Mr. Carnegie wrote the commission that in his opinion the only danger from trusts is to the people who are in them. Does that suggest to you some possible danger that you have not mentioned?—A. It is evident that while there is a centralization of manufacture going on there is a decentralization of ownership; that there are a hundred times as many people interested in our industrials now as there were 25 years ago, and there probably will be at the end of another 10 years a hundred times as many more. So these interests are being more widely distributed. That is true of every industrial in which I am interested; and consequently it is a matter of very serious concern to the investors that these concerns should be managed in the interests of the stockholders. There is this fact, however, in thinking of one of the advantages I have not already mentioned: These combinations are giving the public opportunities for profit that they would not otherwise possess. I had a calculation made showing the average earnings of 37 railroads to be $4\frac{3}{4}$ per cent on the market price, and a little more than that on the par value of the securities. If it had not been for the creation of these industrial securities I am satisfied that the percentage would have been considerably less. But in figuring the earnings of 47 important industrials, and not including the Standard Oil Company, which has been an unusual success, I find that the average earnings on the capitalization is over 7 per cent, and that the earnings are over 11 per cent on the present market price of the industrials. So the profits of these industrial combinations are being very widely distributed. But, on the other hand, these investors are to a considerable extent dependents on the management.

Q. (By Mr. Jenks.) I suppose, speaking generally, a controlling amount of the stock is held in a few hands in practically all combinations?—A. Not a majority; but, as a rule, in most of the industrials the managers are the larger stockholders.

Q. You can give those figures accurately.—A. Yes. I have given them; they are about as accurate as they can be stated.

Q. You said 7 and 11 plus. I thought you might make it a little more definite.—A. You can not get that accurately.

Q. (By Mr. Litchman.) The more widely extended the ownership, the more serious and far-reaching the disaster in case there is dishonest or inefficient management?—A. Yes. But we have arrived at a point now where a disaster to one or two industrials is not going to seriously affect the entire industrial situation. The failure of cordage in the spring of 1893 discredited almost every industrial then existing; but there are so many industrials now that have been organized and the system is so well understood, that a disaster to any one or two industrials would not create any general depression in industrial interests.

THE ABILITY OF COMBINATIONS TO REGULATE PRODUCTION.

Q. (By Mr. Kennedy.) You said one of the benefits of combination is that production could be controlled. I would like to ask you if you are now in a position in your United States Rubber Company to control the production in that industry and keep it even with the demand?—A. I did not intend to use quite as strong a word as "control." I think within certain limits the production could be regulated; and I can state that in going through the depression to which one of you has referred,

from 1893 to 1897, although the volume of business fell off very materially, our factories were left running and our help was regularly employed during all that period, and at the same time our stockholders received a fair return on the reduced volume of business. There were no failures, although I could state that if it had not been for the fact of the combination I am satisfied there would have been three or four important failures in the industry. As it was there were no important failures.

Q. I do not recall that you did use the word "control," but that was the idea—that benefits can be secured because of the control that combinations would have over the production.—A. I have cited an instance where I am satisfied that failures were avoided through a reasonable regulation of production.

Q. Was that one of the ideas influencing the men who brought about this combination—that they would, by controlling production, secure benefits in the future?—A. That would be a natural idea for them to have, it seems to me; that is to say, that instead of a great overproduction the markets could be steadied within reasonable bounds, and extremes of prices could be very largely avoided.

Q. I have seen recently that those who are championing industrial combinations claim that will be one of the results—that production will be so controlled that there will be no overproduction and there will be no panics in the future. Do you think that will be one of the future results of these industrial combinations?—A. I think they will go a long way toward preventing panics.

OVERCAPITALIZATION.

Q. (By Mr. Jenks.) Speaking generally, and without reference to these combina tions you yourself have represented, do you consider that there has been any particular evil to the country from overcapitalization in these industries?—A. I think there have been many cases of overcapitalization that have been very prejudicial. In many it has had a salutary effect. It has made investors less careless. I think that many of them will be more careful in making investments. The best evidence that there has been in many cases decided overcapitalization and also bad management is the present market prices of certain shares, and I think that the result has been that the investors will be more careful. It is my opinion that the banking houses who have indorsed unsound capitalizations have been discredited to such an extent that they can not repeat the operation, and that the parties are recognizing the wisdom of greater care in bringing about these organizations. Speaking generally as regards the capitalization of these industries, it seems to me that care should be take nto protect the senior securities, which are regarded as investment securities. The common stock, although its amount may appear large, is well known as a rule to represent good will. The word "common" is engraved in big letters across the face of it, and people in general have noticed that that is not as a rule investment security at this time. I have no question but that in time many of these industrial securities—many common stocks to-day might be classed as speculative securities—will become investment securities, as our railroad shares that were originally issued for good will are to-day. In general I have no doubt that the public have been benefited by these capitalizations. They are, in my judgment, receiving double the income that they would get if these industrial securities had not been created. Formerly the great manufacturing interests were in a few hands, and to-day there has been a wide distribution. Of course when you hear of some of the profits that have been made by organizers and promoters, they seem large in amount; but I think this fact might be stated, that if you wanted to have an industrial combination created, if you were interested in having one brought about, you would not find it an easy matter to find a man of sufficient ability and financial responsibility to take it up. There has to be an inducement offered, because it involves a risk, a very high class of work, and I think that men who go to New York to-day to interest people in forming industrial combinations do not find it an easy matter to interest them.

ADVISABILITY OF LEGISLATION REGARDING INDUSTRIAL COMBINATIONS.

Q. Perhaps you can take a moment to tell us whether you think any legislation in relation to these industrial combinations would be desirable; and if so, of what nature it should be?—A. Well, in general, my idea is that affairs of trade are best regulated by natural laws. It is very difficult to suggest legislation of any radical character that can supplant to advantage the natural law of supply and demand. Now, for instance, as I understand, the courts in Germany have sustained the agreements that we call restraint of trade agreements. The result of this has been that there have been fewer combinations in Germany. In this country laws have been passed against agreements between corporations for the purpose of regulating trade.

Well, that very legislation has had a tendency to force organization of industrial combinations. Now, the legislators who formulated the restraint of trade laws did not anticipate that those very laws would be one of the strongest reasons for bringing about the organization of industrial combinations. I do not think that that was their intention. At the same time, that to a very large extent has been the result. The idea has been suggested of creating conditions to limit the compensation of those who organize industries; but if, as I know it to be the fact, it is difficult to get bankers of the strength and ability to take up that class of work now while there is no restriction, it would make it still more difficult if there was restrictive legislation. While I think it is desirable that there should be a system sustained for proper auditing and accounting, and regulation as to the issuing of securities, the evils which have developed in connection with the organization of industries are being corrected by natural laws. The careless banker has lost his reputation; the careless investor has lost his money; and the result of it is, more care will be taken. The fact of it is that we have been, in a way, passing through a period of education. Every day the people in general are becoming educated as to these organizations. Take the commission here, it is doing valuable work in that direction. As the combinations are better understood they will be organized on a sounder basis and will have more intelligent management.

(Testimony closed.)

WASHINGTON, D. C., *April 11, 1901.*

TESTIMONY OF MR. E. R. CHAPMAN,

Banker and broker, New York.

The commission met at 10.40 a. m., Vice-Chairman Phillips presiding. At 2.31 p. m. Mr. E. R. Chapman was introduced, and, being duly sworn, testified as follows:

Q. (By Mr. JENKS.) Please give your name and address.—A. E. R. Chapman, No. 80 Broadway, New York.

Q. What is your business?—A. I am a banker and broker.

Q. You have taken an active part in the organization of several industrial combinations?—A. I have had to do with several of them.

Q. Will you mention some with which you have been connected?—A. You mean industrials simply?

Q. Yes; the industrials particularly.—A. Well, I have been connected with the Brooklyn Union Gas Company, the Continental Tobacco Company, the Pittsburg Coal Company, the American Malting Company, the Pittsburg Brewing Company, the Cleveland and Sandusky Brewing Company, the Empire Steel and Iron Company, and the American Smelting and Refining Company. I have been connected also with other industrial organizations, but not as regards the original financiering of the companies.

Q. You may perhaps mention your relation with some of the others.—A. I am a director in one of the executive committees with the Tennessee Iron and Railroad Company. I am also a director and vice-president of the Coal Creek Mining and Manufacturing Company, located in Tennessee. There may be some others that do not occur to me now.

PLAN OF ORGANIZATION OF THE AMERICAN SMELTING AND REFINING COMPANY.

Q. Will you be kind enough to outline the general plan of operation that is followed in the organization of some of these companies? You might perhaps take as a typical one the American Smelting and Refining Company.—A. The evils of competition having been borne for years by the various smelting interests of the country had convinced the proprietors of those interests that some combination should be effected with a view to reducing expenses and eliminating such competition. These interests had been in frequent consultation, but no satisfactory arrangement had ever been made for any combined operation that eliminated the competition complained of. Finally it was universally conceded that the only course open was a consolidation of the various interests, and in the first place options upon the various plants and businesses were obtained at the lowest price the owners were willing to take.

Q. These were cash options?—A. I do not remember particularly as to the American Smelting and Refining Company, but my impression is that the options in that case were upon a cash basis. The owners—the vendors will sound better—were

given the right, however, to subscribe for such proportion of the proposed capitalization of the new company as they might desire, upon the same basis as cash subscriptions were made; that is to say, par of subscription in preferred stock, and a bonus of 70 per cent in common stock with each subscription. The options were then taken over by the bankers who were financing the operation, and such bankers (my firm being the bankers in this case) undertook to organize a syndicate for the raising of the capital required to purchase the properties, or such proportion of the properties as it might be necessary to purchase in excess of the amount taken by the vendors of the properties. This syndicate was organized under a subscription agreement between the various subscribers thereto and the syndicate managers, each of the subscribers agreeing to pay for the stock in installments or otherwise the amount subscribed. In case the prices of any of the properties were not believed to be fair and equitable, a negotiation was entered upon by the bankers for a reduction in price, and finally a contract was entered into for the actual purchase of the properties at prices to which they had been scaled down. The syndicate managers in due course called upon subscribers for the payment of their subscriptions. The amount was deposited in the Trust Company. A corporation was organized under the laws of the State of New Jersey, and in the case of the American Smelting and Refining Company $27,400,000 of 7 per cent cumulative preferred stock was issued, together with $27,400,000 of common stock. My recollection is that with this issue of stock the company acquired all of the property. Perhaps I should say that at this stage of the proceedings a contract was made by an individual designated by the syndicate managers with the newly created corporation, under which the individual so contracting agreed to cause to be transferred to such new corporation all the property, rights, and franchises, except the right of the vendor companies to exist as corporations, and in addition thereto to place in the treasury of the new company an agreed amount of cash to be used as a working capital. In this case my recollection is that $6,500,000 was placed in the treasury as cash working capital. These preliminaries having been arranged, expert accountants were employed to examine the books and accounts and operations of the vendor companies, with a view of determining whether the price under all the circumstances was reasonable and proper, and attorneys were employed to examine the titles of all the properties which the vendor companies had agreed to transfer, and to prepare in connection with the attorneys of the vendor companies proper deeds and conveyances conveying all the properties acquired to the new company. When this work had been completed, a day was set on which occurred what is technically known as a round-up. At this round-up there were present the officers of the various vendor companies with their duly executed deeds of conveyance, and with checks for the bank balances where such balances were taken over under the contracts, and with any securities owned by the vendor company that were to be transferred under the agreement. These deeds and conveyances were approved in writing by the attorneys for the new purchasing company. The party making the contract with the new company for the transfer of the various properties together with the bankers or syndicate managers were present, so that it would not be possible for lack of proper legal proceedings to prevent the entire consummation of all the transactions. The officers of the new corporation were also present, and transferred to the party making the contracts all the stock of the corporation to which he became entitled under his contracts, and took over the deeds and conveyances from the various vendors. The vendors received checks for the entire amount of their purchase money, and immediately handed checks to the syndicate managers for whatever amounts they had subscribed for upon the same basis as other subscribers. The transaction being thus completed, the officers of the new company proceeded to record their deeds as soon as possible, and to take possession of the property.

METHOD OF MEETING EXPENSES OF ORGANIZATION.

Q. I believe this company was authorized to issue $32,500,000 of preferred and $32,500,000 of common stock, was it not?—A. I think it was.

Q. There was really issued to the syndicate managers $24,000,000?—A. I think that is right.

Q. The syndicate subscribers and vendors for each thousand dollars subscription, as I understood, were to receive 10 shares of preferred stock and 7 shares of common stock?—A. That is right.

Q. What became of the other 3 shares of common stock in this case?—A. That was used in a variety of ways. Various persons had to be settled with, such as those who had been instrumental in bringing the companies together or instrumental in figuring out the purchase of properties on the proper basis, etc. I could not tell you exactly how that particular fund was distributed. The syndicate managers, however, received a large portion of it.

Q. If I understood you rightly, in certain cases they were able to make rather better bargains with the vendors than had been contemplated in the first instances and so they saved some in that way. This $27,400,000 was issued, but I suppose that in certain cases they were able to buy at rates so low that there was reserved to them something of this $27,400,000, above this 30 per cent of the common stock?—A. Never, never. The $27,400,000 is the final amount after all deductions.

Q. So that these 3 shares of common stock out of the 10 really covered all of the expenses of organization and all of the pay of the different parties concerned?—A. That is right.

Q. The commissions the syndicate managers received, legal expenses, organization fees, tax fees, etc.?—A. Yes; the organization fees in some cases have been paid by the corporations, in others by the syndicate managers.

Q. In the case of this company, speaking generally, then, it would be correct to say that this 30 per cent of the common stock paid the entire organization expenses?—A. Yes.

PLAN OF ORGANIZATION USUALLY FOLLOWED.

Q. Now, you have given that as a specific example. Was this company organized in accordance with the plan that was ordinarily followed by companies organized lately?—A. I think so. They followed the usual lines that have been followed in practically all the combinations that I have had to do with.

Q. Would it be substantially true to make the general statement, that, when equal shares of preferred and common stocks are issued as in this specific case, and where the syndicate subscribers receive a certain number of shares of preferred and a certain number less of common, the difference between the two is to be attributed to incidental expenses and to the costs of organization payable to the bankers and to the promoter?—A. That is right.

Q. So that if, as is frequently the case, with every 10 shares of preferred there are 5 shares of common stock, we could say that the 5 shares covered the cost?—A. Yes.

Q. That is a substantial rule we can follow under these circumstances, you think?—A. Yes.

Q. You have spoken of this as being the form followed by later companies. Have there been any earlier formations that differ materially from this form of organization? Could you outline any where the differences would be instructive?—A. Not that have come within my personal knowledge. I know of some.

Q. Will you be kind enough to indicate some of those differences?—A. There have been some combinations effected where the purchasing company took over the capital stock of the vendor company, and undertook to make a combination in that way; but the later and better class seems to be the one that I have outlined in connection with the American Smelting and Refining Company.

CAPITALIZATION OF THE AMERICAN SMELTING AND REFINING COMPANY.

Q. In the case of the American Smelting and Refining Company, were the properties that were taken over owned by corporations before?—A. I think so in every case.

Q. Can you tell us how the total capitalization of these vendor companies compared with the total capitalization or with the capital stock actually issued by the American Smelting and Refining Company?—A. I could not without referring to papers which I have not with me.

Q. You could perhaps get those and send them on—information that is easily available, I suppose?—A. I think so; I think that would be practicable. Of course, you understand that in acquiring these properties we, as the purchasers, were not interested in the amount of capital stock that a company might have, because the capital stock might be for a comparatively small amount, and yet have an actual value of 500 per cent. It was the question of actual values we were interested in, not the amount of capital or the amount of obligations that a vendor company might have.

Q. (By Mr. PHILLIPS.) Then, was your stock issued for the actual value?—A. This $27,000,000 we calculated to be the actual value of the properties transferred with a proper valuation upon their good will and business. In arriving at that we had to take into consideration their earnings, together with the amount that was put into the treasury as working capital, amounting to $27,400,000.

Q. Then you issued the same amount of common and preferred stock?—A. Yes.

Q. Did the preferred stock represent market values, and was the other what is commonly called water?—A. Well, $27,400,000 more nearly represented the actual properties.

Q. (By Mr. Jenks.) The tangible assets?—A. The tangible assets; and what you might call the good will would be represented largely by the common stock; that would not necessarily be water. The earning power of that company might be very considerable. Here is a company that might have small tangible assets, but by superior enterprise it has built up a very large and very profitable business, while another company might have large assets, but by reason of want of proper enterprise or want of proper location or something, would not be able to show anything like the earnings that the former would.

Q. (By Mr. Phillips.) Would these vendors have been willing to take $27,400,000 in cash for the properties?—A. Some of them might and some of them might not. The fact undoubtedly was taken into consideration by some of these vendors that they would have an opportunity to subscribe for the preferred stock on the same basis as other cash subscribers, and would be able to get a portion of the common stock with it. That was undoubtedly what caused many of them finally to agree to come down to the prices at which they were bought.

Q. Then the public who bought one share of common practically had a bonus for taking the preferred?—A. In return for the money that went into it, 70 per cent in common stock was offered, and 100 per cent in preferred.

Q. One hundred per cent of preferred and 70 per cent of common as a bonus?—A. Yes.

VALUES ON WHICH THE ISSUE OF COMMON STOCK WAS BASED.

Q. (By Mr. Jenks.) In the case of the smelting and refining business are there many patents owned and used by the companies, or is there anything in the nature of trade-marks, or in the nature of processes, that is reckoned in with good will?—A. There are a great many patents owned by these various vendor companies; at least I have been so advised, and I suppose they own them. There are various methods of treating ores that are specialties with certain of these concerns, and the reputation, which you might call good will, while not being a trade-mark, was a very valuable asset. For instance, take the Omaha and Grant smelting concern, which had a very large business all over the mining regions. Of course, a great deal of the ore is shipped to be accounted for according to the amount of the metal that is taken out of it. They had a very high reputation all through the West for the most honorable dealing and accounting to the mine or producer of the ore, and for bringing in a more satisfactory return than any other concern. This reputation had grown all over the western states until this concern had grown to be enormous, and in the various mining camps where there were other buyers they would get the preference. For instance, in certain mining camps it would be almost impossible for other buyers to obtain ores. Of course, where they went into the market and bought on the analysis it would be a different proposition. The man that would pay the most would get the business.

Q. In this good will, then, in addition to the reputation of which you have just spoken, there were included, also, special processes and the right to use them?—A. Yes.

Q. And also the patents; they were all accounted for by the common stock?—A. Yes; every asset the company had was taken over.

Q. I was speaking particularly with reference to the valuation.—A. Yes; that would not be tangible.

Q. You did not consider that in estimating the preferred stock issued? That was all included in the common stock?—A. Yes.

PAY OF THE PROMOTER OR UNDERWRITER SYNDICATE.

Q. Has it been customary in the later companies to pay to the promoter or to the underwriting syndicate a specific lump sum or a specific percentage—5 per cent, 10 per cent, whatever it might be—for their pay, with the understanding that the expenses should be covered otherwise?—A. Well, I think it has been done both ways. In getting together an organization of that kind you find a lot of people that claim to have been a very great benefit to the organization, who swarm around the great combination like flies around a sugar barrel, and then it becomes necessary to make things comfortable for everybody and to settle up with them, and you settle up with one man for so much money, and you settle with another man for so much stock, and you get along with them the best you can.

Q. I was speaking more especially with reference to the underwriting or banking company.—A. I have never known any case where the bankers were paid any money or any specific amount. They take over a given percentage of the stock and

then settle up the claims of promoters and other people the best they can. They also settle with the lawyers, and perhaps have to pay them a very large amount in cash. Whatever stock is left after these accounts have been settled they appropriate for their own charges.

EXTENT OF MONOPOLY CONTROL POSSESSED BY THE AMERICAN SMELTING AND REFINING COMPANY.

Q. (By Mr. JENKS.) In this case of the American Smelting and Refining Company, can you tell us what percentage of that business is controlled by the company, or was at the time it was organized?—A. I can not give you the percentage. It was practically all of the smelting industry of the country except that controlled by the Guggenheims. My impression is that, leaving out the Mexican interest of the Guggenheims and counting their two smelters on this side of the line, it would amount to about 85 per cent of the entire smelting business of the country.

Q. So that the proposed consolidation with the Guggenheims, if it were carried through, would mean practically a monopoly of the business of the country?—A. Yes.

Q. (By Mr. PHILLIPS.) Does this constitute a monopoly of the business in the United States now, or nearly so?—A. With the Guggenheims' it would. Well, there may be small concerns that we do not know much about, doing a small business for a few local men here and there, but the large commercial smelting business would be all included.

Q. Has this company raised the price of smelting since it has been organized?—A. That I could not answer.

NATURE OF INDUSTRY CARRIED ON.

Q. (By Mr. CLARKE.) Does this new smelting company cover any business aside from smelting the ores of the precious metals?—A. Well, the bulk of their business is silver and lead. Incidentally, many ores will produce some gold and some copper. In the smelting operation of course they expect to save all the metal in the ore.

Q. It covers zinc and copper smelting also?—A. I do not think very much zinc but some copper, only such as is incident to the extraction of silver and lead. Those are the two large products of the company and others are by-products.

Q. (By Mr. LITCHMAN.) Do I understand that silver and lead are the only ores which you handle? Do you not also handle ore from which gold comes?—A. Oh, yes; the largest production is of silver and lead, and then comes gold. They do not smelt copper, but they smelt all the gold ore.

Q. But I mean you would not call the smelting of gold a by-product?—A. No; that is where perhaps I made a mistake. Copper would be, and the same is true of any other metals that would be saved.

Q. (By Mr. JENKS.) Does the Smelting and Refining Company buy the ore, or does it do its business of smelting and refining on commission?—A. I believe they do it in both ways.

HOW THE PRODUCT IS SOLD.

Q. This company through its own officers practically controls the smelting and refining business, I suppose; now about the selling of the product, is that conducted by the company itself or through an agent?—A. Well, I understand that they have sold through an agency.

Q. What was the agency?—A. I can not give you the name at this moment—it has slipped my memory. I think it is the United States Selling Agency; but I am not quite sure.

Q. The question I was going to ask was whether you had knowledge regarding the relation of this smelting company to this selling company, as to whether the one company controls the stock of the other, or whether there is a common ownership of a large share of the stock by men who are interested in both?—A. I have no personal knowledge about that.

Q. You know the statements made in the papers?—A. Yes.

METHOD FOLLOWED IN THE ORGANIZATION OF THE AMERICAN MILLING COMPANY.

Q. Is there any difference that is worth noting between the methods of organization in the case of the American Milling Company, which you spoke of and that of the Smelting and Refining Company?—A. It is my recollection that the two followed the same course.

Q. I notice that lately there has been considerable of a reorganization or a change in the management of the Milling Company. Can you tell us how that came about?—A. Yes, I could tell you about it, but I would rather not. I have my views about it. It would be only an expression of opinion. I have no connection with the company.

Q. Perhaps you could tell why you would rather not?—A. I prefer not to. It would be an expression of opinion which is founded largely on hearsay, and might be wrong.

Q. Do you recall whether in this reorganization there has been any material cutting down of the capital stock?—A. Of the American Milling Company? I think not.

ATTITUDE OF MINE OWNERS TOWARD THE AMERICAN MILLING COMPANY.

Q. (By Mr. Phillips.) Do you know whether there has been any general complaint on the part of mine owners in regard to the smelting service since this company was organized?—A. I do not. I have never heard any. So far as I know its operations have been entirely satisfactory to them.

Q. As satisfactory as when it was managed by individuals?—A. So far as I have any knowledge.

Q. Is it your judgment that the mine owners were benefited by this consolidation?—A. I should think they would be, although I have no practical knowledge of the mining business.

ANTICIPATED ECONOMIES LEADING TO THE COMBINATION.

Q. When there were individual smelters would they not pay higher prices frequently and take a less per cent in order to obtain certain ores, than this organization would? The organization, perhaps, grew very largely out of the competition of the individual smelters with each other, did it not?—A. It grew out of competition, but that competition was worked in this way: The smelters in Montana would have to put their ore buyers into the markets, into the producing regions of Colorado and Utah, buy their ores, ship them 600, 800, or 1,000 miles to get them to a Montana smelter. The smelters of Utah had buyers in Montana and in Colorado and in every other district buying and shipping these ores these long distances at very high rates of freight; and so with the Colorado smelters. I remember that it was estimated that the difference in freight alone which would result from the combination of these various interests, so that the Montana smelters would purchase the ores of Montana and no ore would be shipped from Montana to the other points, and so likewise with Utah and Colorado, would be over $5,000,000 per annum.

Q. Was that advantage obtained wholly by this new company, or would part of it go to the owners of ore?—A. It would be to the advantage of this company not to reduce the amount they were to pay for ore. On the contrary, the higher the price they could pay for the ore the more mines would be operated, and the more of the raw material they would be able to get. Therefore it was not in the interest of the American Smelting and Refining Company to reduce the amount it paid for the ore, but it was possible to save this enormous amount that it paid out for transportation, from which no one received any benefit but the railroad company.

THE RELATION EXISTING BETWEEN THE AMERICAN SMELTING AND REFINING COMPANY AND ITS EMPLOYEES.

Q. Do you know whether this smelting company has ever had any serious trouble with its employees through strikes?—A. There have been 1 or 2 strikes, I believe. One was precipitated shortly after the organization, and lasted several months.

Q. In Colorado?—A. In the Colorado mines or smelters.

Q. Do you know whether at that time the smelting company shut down some of its plants where these strikes were and transferred the business to the others.—A. I understand that they did.

Q. To undertake to bring pressure on the workmen in that way and be enabled to resist their demands?—A. They simply suspended operations, and that suspended operations in the mines in that vicinity; but in districts where there was no strike they continued their business. It was not necessarily to bring pressure upon the workmen.

Q. (By Mr. Kennedy.) Is it not true that while the smelters at Denver were suspended, the ore from Cripple Creek went to Omaha and other points, and there was no suspension of mines there?—A. I could not answer.

Q. You said the mines were suspended in that vicinity. Is that so? Is it not a fact that the ore went to Omaha and other places?—A. I understood that there was

great dissatisfaction among the producers of ore because of the smelters being shut down. There was great antagonism between the laborers employed in the mines and the laborers employed in the smelters, because the former were unable to produce ore owing to the fact that it could not be smelted.

Q. (By Mr. JENKS.) Do you recall what the outcome of the strike in the West was? Do you think the laboring men got their demands?—A. I do not remember to have heard just the determination of it. I was in Europe at the time.

Q. You have never been actively engaged in the management?—A. No; I have not had anything to do with it.

DIVIDENDS PAID.

Q. (By Mr. PHILLIPS.) Would you be willing to state to the commission the amount of dividend that has been paid by this consolidated company?—A. Yes; it has paid 7 per cent.

Q. On both common and preferred?—A. No; 7 per cent only on the preferred; there have been no dividends paid on the common stock.

Q. Has there been any surplus laid aside after paying the 7 per cent on the preferred?—A. (Witness refers to paper.) The annual statement would indicate that. The net earnings, according to the report of the president, for the year ending October 31, 1900, exceeded $4,500,000, and the dividends on the preferred stock for that period amounted to a little over $2,000,000.

Q. Then the company only declared about half of its net earnings in dividends?—A. Yes.

Q. Did the remainder go into the surplus, or into betterments or improvements?—A. I think into additional working capital.

THE ORGANIZATION OF THE PITTSBURG COAL COMPANY.

Q. (By Mr. JENKS.) Will you take up, please, the question of organization and management of this Pittsburg Coal Company of which you spoke. Give us, as best you can, the reasons for bringing that together, and the general form of the organization.

Q. (By Mr. PHILLIPS.) The amount of properties taken over and the various States in which they are located.—A. The Pittsburg district is a consumer of about 14,000,000 tons of bituminous coal per annum. There were about 140 different properties so situated as to be accessible to railroads. Competition between the proprietors of these properties had gradually reduced the price of coal to a point which was in most cases below the cost of production. Various efforts had been made to effect agreements between the various proprietors for the maintenance of prices that would be remunerative to the owners, but none of them had been successful. Consumers of coal were importuned by a large number of salesmen for these various concerns and dictated the price. Various consultations had been held by the leading interests, and it was finally determined that the only feasible way of making the business reasonably profitable would be to combine them into one concern. This was done in the year 1899, after prolonged efforts in that direction, and these properties were all purchased by the Pittsburg Coal Company, a corporation organized under the laws of the State of New Jersey. The titles to the properties and the real estate, however, were lodged in a corporation organized under the laws of the State of Pennsylvania, all the stock of which was owned by the Pittsburg Coal Company. The amount of capital issued was $32,000,000 7 per cent cumulative preferred stock and $32,000,000 common stock. The new company began operations in a most fortunate time, when the demand for coal at once—or shortly after its organization—exceeded the supply, and its success during the first year of its organization was most satisfactory.

Q. How was this preferred and common stock distributed?—A. The company was organized in a way similar to that of the American Smelting and Refining Company, and with like percentages of common and preferred stock.

Q. (By Mr. JENKS.) The same amount of common and preferred to syndicate subscribers?—A. Not the same amount of common and preferred—$32,000,000—but 70 per cent of common went with the preferred.

Q. (By Mr. PHILLIPS.) And each subscriber got with his preferred stock 70 per cent common as a bonus?—A. Yes; 70 per cent. I understand that the entire trade are very well satisfied with the present conditions, although they pay more for their coal. There is a stable price; there is an ample supply. Instead of a small producer, who, in case his cars were detained in transport, would leave his customer high and dry for want of coal, this concern, with an immense amount of coal flowing over every railroad, can always divert coal and supply its customers. Nothing could induce the trade, I understand, to go back to the old system of dealing with 140 different small concerns.

PROPERTIES CONTROLLED BY THE PITTSBURG COAL COMPANY.

Q. Where are these 140 properties located?—A. All in the State of Pennsylvania, and all within a radius of 75 miles of Pittsburg.

Q. None in Virginia or Ohio?—A. Not one.

Q. (By Mr. Jenks.) Does this organization include practically all the bituminous coal mines in that part of the State?—A. All except those that are owned by what is known as the river combination—the combination of coal mines situated along those rivers, whose business is principally the mining of coal and placing it on barges to be floated down the Ohio and down the Mississippi.

Q. Is that the Monongahela River Coal Company?—A. It is.

Q. Do they have any working agreements with them in reference to territory?—A. Well, I understand that such coal as can be loaded on cars from any of their mines is handled by the Pittsburg Coal Company. It is not a large percentage of their business. The bulk of their business is river business. But some mines are so situated that they can load coal on cars, and some arrangement exists between the two companies by which the Pittsburg Coal Company sells, for account of that company, its coal that can be loaded on the cars.

Q. Aside from this property in coal mines, what other properties are owned by this company?—A. They own docks and loading and unloading facilities at various ports on the lakes—at Fairport, Erie, Ashtabula, Cleveland, Chicago, Milwaukee, Duluth, and so on.

Q. Are these properties for distributing purposes?—A. Yes.

Q. Do they own any railroads?—A. They own a railroad at Duluth, the Northwestern Coal Railway, which owns quite a considerable mileage of railroad in the Pittsburg district.

Q. I was going to ask in reference to that, whether the railway companies of that district were such large owners in this company or in the company that owns railways there, that the owners and the Pittsburg Coal Company were practically one; you say that they own some railroads?—A. They own some railway lines that are mere branches of larger railroads.

Q. (By Mr. Phillips.) They were taken over largely, were they not, with the coal properties of these interests?—A. Yes; all of them.

Q. (By Mr. Jenks.) You spoke also of the railway that they own in the upper lake region. Do they have any manufacturing or other interests up there?—A. None at all.

Q. Purely a distributing interest?—A. That is a connecting railway that connects all the railways that go into Duluth and Superior City, I believe.

Q. Simply a distributing property?—A. That is all.

Q. (By Mr. Phillips.) Now, can you state about what per cent they own of the coking coal, Connellsville, and so on?—A. They own very little of the coking coal. Some of those properties run up into the coking coal district, but the Connellsville district lies to the south of what is known as the Pittsburg coal district.

Q. The Carnegie coal interests do not come into it at all?—A. The Carnegie's coking interest does not. The Carnegie people own the Frick Coke and Coal Company, and some interests up the river in the Connellsville region, but they are large buyers of coal from the Pittsburg Coal Company.

PRICE OF COAL SINCE THE CONSOLIDATION.

Q. Can you state whether the price of coal has been generally advanced since this company was formed in the Pittsburg district?—A. It has been generally advanced all over the country, owing to the fact that it was impossible to meet the demand.

Q. Do you know whether this company is getting better prices than others that are working independently?—A. Precisely the same, I imagine.

Q. In controlling any given markets where they can get a larger price for it?—A. I think these larger contracts are taken below the regular rates that other districts charge, because the company is in a position to handle any sized contract. I remember last winter it was shipping the New York Central alone 6,500 tons per day. There was nobody else in the country that could do it. Nobody could keep the New York Central Railroad running except the Pittsburg Coal Company; and with such a large mass of coal going to one particular customer, of course, they could afford to make that price probably less than any smaller producer would be willing to furnish it.

COMPETITION ENCOUNTERED BY THE PITTSBURG COAL COMPANY.

Q. Do they largely control the lake demand for coal?—A. I think about 6,000,000 tons go up the lakes.

Q. From the Pittsburg company? Do you know how much goes up the lakes from other companies?—A. That is the great bulk of it.

Q. They practically, then, have a monopoly of that trade?—A. Well, there is some competition from southern Ohio and from West Virginia that reaches the lakes and various ports, but the Pittsburg coal is of a superior quality, and is given the preference by most consumers.

Q. Quite a large amount, I believe, in Virginia is of the same character of coal?—A. There may be some.

EARNINGS SINCE THE CONSOLIDATION.

Q. Do you know the amount of dividends that have been declared by this company since it was organized?—A. It has paid a regular dividend on its preferred stock.

Q. Of what amount?—A. Seven per cent.

Q. Has it paid any on the common stock?—A. No.

Q. Do you know what they have put away for surplus or for betterments or working capital?—A. They have expended, I know, since the organization, something over $3,000,000 in acquiring additional coal lands.

Q. That is, out of earnings?—A. That has come out of earnings, yes.

Q. Do you know what their net earnings have been—what they have declared in dividends and put into betterments and purchases?—A. The net earnings for last year were between $4,500,000 and $5,000,000. I do not recall the exact amount.

RELATIONS EXISTING BETWEEN THE PITTSBURG COAL COMPANY AND THE RAILWAYS IT EMPLOYS.

Q. (By Mr. Jenks.) Now, then, we will go back again to the question I asked before regarding the community of interest between the Pittsburg Coal Company and the railways over which it carries its product from the mines. The question was as to whether there is any material community of interest, either through ownership of the stock by the railways or the ownership of the railway stock by the mines or by the coal company?—A. I do not think there is any such community of interest.

Q. I am speaking of the larger roads, not the small feeders that they own.—A. As to the Pennsylvania, I do not think there is any community of interest between the two—that is, in ownership. Of course there is a community of interest, because the Pittsburg Coal Company is the largest freight producer in the world, and to that extent there is a community of interest between the railroads and the company, because it is their largest customer.

Q. The reason I asked the question was because in the case of anthracite coal there is often an ownership of the mines by the road.—A. There is nothing of that kind in the Pittsburg district.

ATTITUDE OF ORGANIZED LABOR TOWARD THE CONSOLIDATION.

Q. (By Mr. Litchman.) I would like to ask how far the organization or the consolidation of the companies affects the labor employed by the company.—A. My understanding is that they are very well satisfied with the combination. I was afraid of that when we were considering the question of consolidating the Pittsburg Coal Company, but on inquiry I found that the leaders of labor organizations were fully alive to the advantages of dealing with one concern rather than with 140.

Q. So far as you know, is there any indisposition on the part of the managers of the Pittsburg Coal Company to deal with the representatives of organized labor?—A. We are doing it all the time.

Q. Prefer to do it?—A. Prefer to do it.

THE SLIDING SCALE OF WAGES.

Q. And can you tell me if the laborer has received a part of the advanced price at which coal has been sold? Has there been any increase in the price of labor?—A. That is adjusted on a scale.

Q. Sliding scale?—A. On a sliding scale, and the miners participate in any advance in coal. The arrangement between the United Mine Workers' Association and the Pittsburg Coal Company is entirely satisfactory. We have got on in the most harmonious way; there is not the slightest friction or the slightest trouble.

Q. So far as you are individually concerned, you think that is the better way of adjusting the matter?—A. I certainly do.

Q. This sliding scale you speak of starts from a minimum?—A. There is a minimum.

Q. So that if the price goes below a certain point that minimum is not affected?—A. The minimum is not affected. It gives the miner a fair and reasonable wage for his work, and if the company by reason of a more favorable market is able to make a larger profit, then the miner gets his proportion of it.

Q. There is no such arrangement as that in connection with the American Smelting Company, is there?—A. Not that I know of. I really do not know what the relations are between the laborers and that company.

LARGE INDUSTRIAL COMBINATIONS AND ORGANIZED LABOR.

Q. There is another point upon which you may be willing and able to express an opinion. I wish to call your attention to a fear that exists among labor leaders that possibly this consolidation of a large interest all under one management, unless that management is conducted on the broad and humane principles that you have just expressed in connection with the Pittsburg Coal Company, would make it exceedingly difficult for the men to obtain justice in any particular if the combination refused to treat with the leaders of the labor organization. Have you any expression to make on that subject?—A. Well; I think the most enlightened management of industrial organizations to-day admit the right of labor to protect itself by combinations. It is the only weapon the laborer has. He has just as much right to combine as we have the right to combine these properties, and he has a right to be represented by the organization, and the manager of an industrial corporation who would decline to listen to his employees ought to seek other employment. If I owned the property, he would. That is my view of it.

EXTENT OF MONOPOLY CONTROL POSSESSED BY THE PITTSBURG COAL COMPANY.

Q. (By Mr. PHILLIPS.) Does or does not the Pittsburg Coal Company own a sufficiently large per cent of the Pittsburg coal to give it a practical monopoly, barring the river trade of which you spoke?—A. It has aimed to acquire the control of the great bulk of the output of the district. It is not a monopoly exactly. There are properties not owned by the company, but there are very few producing properties that are not owned by the company.

Q. Well, could an independent company with reasonable capital, say from $500,000 to $1,000,000, and with the necessary land in the Pittsburg field, compete successfully with this Pittsburg Coal Company?—A. Yes, I think they could if they owned the coal land; to the extent that they could produce coal they could find a market for it in these times. When, however, the market is glutted with coal, when we reach our next period of depression, they would possibly be at some disadvantage, because they would not be able to handle very large contracts. A coal property, to be successfully operated, must be run all the time up to its capacity. The large concern that is able to take large contracts can always so manage its business as to keep its mines all running and furnish its labor with employment all the time, because, if the demand is not equal to the supply, certain operations are closed down entirely and the balance of them run continuously. Of course, it is a great advantage to a concern to be able to handle all the very large contracts and thus keep its operations continuously going. I am interested in coal in the New River district in West Virginia. There we have no combination, but we manage to go on and get a very good price for coal, too.

Q. Do you not think it would be quite difficult to get capital to go into the Pittsburg field with a view to compete with the Pittsburg Coal Company as it is now organized?—A. I should think it would be very difficult.

THE QUESTION AS TO THE DANGER OF AN EXCESSIVE PRICE OF COAL.

Q. Well, would you have any apprehension that they have such a large control that they would ask an unreasonable price for it?—A. Well, no; I think that would be very unwise.

Q. Would they not have the power to do that if the others feared to compete with them?—A. They probably would for a time be able to maintain a price above what would be reasonable, but in the end it would correct itself; it would stimulate the opening of mines on lands they did not own. If they raised the price to a point where the freight could be paid into the district from other districts, it would bring in outside coal; so that it would be most unwise, and no intelligent management would think of it for a moment.

Q. (By Mr. FARQUHAR.) Could not the importation of Virginia and Ohio coal prevent a monopoly in Pittsburg?—A. I think it would.

Q. With plenty of capital in those coal districts to handle the coal, if the market was open to them they would compete?—A. Yes; I should think there would be no question but that would act as a regulator.

Q. Has it not been stated before the Coast Association, or publicly announced there, that the Virginia field was a sort of catch-as-catch-can field and open to all?—A. I believe that is the reputation they have.

Q. That is the reputation over in New River and elsewhere?—A. Yes.

Q. So there is no immediate opportunity for a monopoly in the Pittsburg district?—A. I do not think so.

Q. Is it your judgment that business prudence would dictate the management of these combinations in such a way that there should not be an undue advance to the consumer, and at the same time, on the other hand, that there should be a proper regard for the wages paid to the laborer?—A. If I correctly understand your question, I should say that self-preservation will always prevent any combination from putting the price of its products to a point that will invite and build up competition. On the contrary, its interest is in constantly keeping the price as low as possible. The history of combinations thus far in this country shows that prices have have been steadily reduced as savings were effected. I do not think it is possible to point to one where that has not been the case.

Q. There are three factors in these industrial combinations—the consumer, the laborer, and the combination itself. I wish to get your opinion as to whether all three of these factors should not be carefully considered in the management of the combination.—A. Undoubtedly; otherwise there would be aroused a public sentiment against them that would find some means if not exactly of destroying them, certainly of controlling them to a great extent.

COAL PURCHASED BY THE MILLS OF THE UNITED STATES STEEL CORPORATION.

Q. (By Mr. Clarke.) Does the Pittsburg Coal Company furnish coal to the various mills of the United States Steel Corporation located in the district?—A. I think to every one of them. It had contracts with the different companies that have gone into the United States Steel Corporation.

Q. (By Mr. Phillips.) Had it contracts with the Carnegie Company?—A. Yes; this company furnished a large amount of coal to the Carnegie Company, the American Steel Company, the American Steel Hoop Company, the Wire Company, and all the concerns with plants in that district.

Q. (By Mr. Clarke.) Does this company carry on any coking business also?—A. Very little; there is a small output of coke in the upper end of its district, where some of the properties that were purchased owned coking plants, but it is not a factor in the business.

Q. Is it your understanding that the United States Steel Corporation is in the coal business only to the extent of coking their coal?—A. That is all. I do not think they ship a pound of coal or mine a pound for shipment—I mean to outside interests. Their mines undoubtedly do produce some coal for their own use. They are not a factor in the trade.

GENERAL EFFECT OF COMBINATIONS ON PRICES.

Q. (By Mr. Jenks.) I understood you to say a moment ago that you thought the history of the various important combinations had shown that as the economies of combination were effected, the prices steadily lowered. Would you be able to say further that you thought the prices had lowered proportionately to the economies effected, or in your judgment has the margin between the cost of production and the selling price been on the whole rather increased by the companies, although there has been an absolute lowering?—A. My impression is that there has been an absolute lowering of price, and the margin between cost and selling price has been reduced in certain lines.

Q. Before there were any of the larger combinations effected did the prices of the product steadily lower with improved methods of production?—A. I think they did.

Q. So that, so far as that absolute lowering of prices is concerned, there has been no material difference between the conditions existing before the combinations were made and since. If we are to estimate the influence of the combination itself on the price, would you think that the proper way would be to take into consideration the effect on this margin between the cost of manufacturing goods and the selling price, rather than the absolute price?—A. Probably the margin would be the proper way to estimate it, if I correctly understand your question.

Q. Could you answer the first part of the question, as to whether in your judgment this margin has been lessened by the combinations, or whether they have rather

tended to increase that margin?—A. Where the cost of production has been largely decreased the policy of the managers has undoubtedly been to give the purchaser as much of that reduction as possible, leaving a fair interest on the capital invested; and to the extent that they can reduce this cost, the consumers have the advantage of it. And the consumer has had a very considerable advantage for this reason, that in the case of production where goods are manufactured by a large number of concerns, there must be reckoned into that cost of production the maintenance of the large number of people who must look to these various businesses not only for a fair amount on the capital invested, but for the support of themselves and their friends; all that had to be taken out of the profit. With these large combinations—take, for instance, the case of the Pittsburg Coal Company—there were approximately 140 different organizations for the production of coal or the selling of coal to the consumers, and this necessitated the employment of a large number of men. Now that is all done by 1 president, 1 chairman, 1 general manager, 1 superintendent of the production, 1 superintendent of sales, with employees at moderate salaries under those gentlemen, instead of having 140 presidents, vice-presidents, secretaries, treasurers, and so on, representing 140 different companies. Now, this company simply wants 7 per cent on its preferred stock, and whatever it can earn above that to add on its common stock, and after that its interest will be to give its customers the benefit of the savings.

Q. Your judgment then would be practically this, that the savings of combinations should be and are properly divided between the combination and the consumer; that is, the combination gets a rather higher return on its capital than the individual concern probably did before, but the savings are so great that that can be still be done and effect an absolute lowering of price to the consumer?—A. I think so. I think that would ordinarly be the case. Of course this Pittsburg Coal Company was organized just at the time when there came an unusual demand everywhere and the price went up. The price in the Pittsburg district went from 70 cents to $1.25, $1.30, and thereabouts, and you could not begin to mine the coal necessary to meet the market even at those prices.

Q. (By Mr. KENNEDY.) At what time was that?—A. That was in 1899. The company was organized in the fall of that year.

Q. Did an increase of wages have something to do with this increase of price at that time?—A. As the price went up wages were increased according to the sliding scale, which is arrived at every year after a series of conferences with the United Mine Workers' Association of America. They control that district.

THE QUESTION AS TO THE DESIRABILITY OF ABSOLUTE MONOPOLIES.

Q. Do you believe it would be beneficial to the people at large if any one great commodity was monopolized and the price fixed by a board of direction?—A. An absolute monoply?

Q. An absolute monopoly?—A. I can not conceive that that would be possible.

Q. Or nearly so?—A. Probably as nearly a monopoly as there is in the country is the Standard Oil Company. I remember when oil was selling at 25 cents a gallon.

Q. (By Mr. PHILLIPS.) Yes; I remember when crude oil sold at $1 a gallon; but it must be borne in mind that the Standard did not make the discoveries of oil, and they did not cheapen it.—A. That is true; but they have steadily reduced the price. It has been within their power, should they have seen fit to do so, to have increased the price of refined oil.

Q. Now, would you say a reasonable profit would be 100 per cent?—A. Well, that is a little excessive.

ORGANIZATION OF THE PITTSBURG BREWING COMPANY, AND THE CLEVELAND AND SANDUSKY BREWING COMPANY.

Q. (By Mr. JENKS.) You spoke of one or two other combinations with which you had been connected that were quite different in character from those you have been speaking of—the Pittsburg Brewing Company, for example. Are the members of that company limited to Pittsburg and the immediate vicinity?—A. Pittsburg and immediate vicinity.

Q. The same thing holds with reference to the Cleveland and Sandusky Brewing Company; that is local?—A. Yes.

Q. As regards the methods of organization of these two companies, do they differ materially from those you have spoken of?—A. Not materially, except they issued bonds and preferred and common stock in both cases.

ECONOMIES EFFECTED BY THE CLEVELAND AND SANDUSKY BREWING COMPANY.

Q. In what way do these brewing companies expect to get the benefit of combination? Are there any material savings made by them, or do they rely mainly upon the lessening of competition?—A. Well, there is a saving in the running of a number of organizations. For instance, in Cleveland instead of 10 organizations you have 1.

Q. They keep the separate breweries all running?—A. The separate breweries are running, but where before a brewery down in the east end of Cleveland was obliged to have a sufficient number of wagons to deliver beer in every part of the city for 10 or 15 or 20 miles in every direction now the operations of the wagons from that brewery are confined to the east end, and so on all the way around the city. It reduces the cost of delivery enormously.

Q. Each one of those separate breweries had its own brands of beer before?—A. Each one had its own brand.

Q. Do you know whether those brands have been mostly retained under the combination?—A. Yes; to some extent. There is a certain class of custom which requires particular brands, but the great bulk of it is sold under the general name. I do not know much about the business; I simply financed it. But they educate the public up to using their brand known as the Cleveland-Sandusky—the C. & S. beer. They have signs all over the city, and that means beer made at any one of those breweries.

Q. So as to make all the savings possible?—A. Yes.

METHOD OF DEALING WITH RETAIL SALOONS.

Q. Do you know whether it is customary for these breweries to own the retail saloons and simply hire the keepers as wage-earners, or do they sell the beer outright?—A. They sell it outright. They own a great deal of the real estate where it is sold.

Q. Simply leasing the building?—A. Leasing the building. That became necessary on account of the competition. The desirable corners—saloons where beer was dispensed—were picked up by one and another and there was a keen competition for them. The various brewing companies had to invest a large amount of money in that kind of property. The combination of all the breweries makes that unnecessary and outsiders may now own these properties.

CAPITAL REPRESENTED IN THE COMBINATIONS.

Q. (By Mr. Kennedy.) Did you represent English capitalists in making this combination of breweries?—A. No; it was all done on American capital.

Q. Were the individual breweries owned by Americans previous to the combination?—A. All of them. None of these breweries in either Cleveland, Pittsburg, or Sandusky were owned by foreigners. You probably refer to certain combinations and purchases of breweries made 6 or 8 years ago by English concerns. None of them were at those points.

Q. (By Mr. Jenks.) Were those combinations financed largely by the brewers themselves, or by syndicates of outside capital called in?—A. I should say, as a rule, the brewers took about 50 per cent.

Q. The rest was outside subscription?—A. Yes.

METHOD OF ORGANIZING THE BROOKLYN UNION GAS COMPANY.

Q. You spoke also of organizing the Brooklyn Union Gas Company. That is a business, of course, that is entirely different in its nature—a natural monopoly, as they say. Does that make any difference as regards the method of financing or the form of organization?—A. No material difference.

Q. Did the question of franchise enter in as a special feature?—A. In that case the franchises were purchased from the various companies. There were 7 companies in the city of Brooklyn proper. Each of the companies was bought with all the rights, privileges, and franchises.

Q. Now, as regards the issuing of stock and bonds, will you briefly outline that? Were there bonds issued in the case of the Brooklyn Union?—A. Yes; $15,000,000 of bonds.

Q. And the different kinds of stock?—A. There was only one kind—$15,000,000 of common stock.

Q. In this case were the bonds supposed to represent the tangible assets or more?—A. I do not recollect the schedule of assets in the several companies. That combination was formed in this way: There were 7 companies, all of them old companies and doing business—some of them since gas was first introduced in America.

Each originally had a limited territory, and by agreement among themselves each was confined to its own territory. Various wars had broken out and they had broken over the line and invaded each other's territory to some extent. Nearly all of these companies had been very prosperous. Some had been paying dividends for years and years, and some at a very high rate. To bring about that consolidation, we had to go into the market and purchase these stocks from the owners. We were nearly a year accumulating two-thirds of the stock of each one of those companies wherever we could buy it. Many of them were not listed, and the stocks were held as an investment by estates, in small lots as a rule. For some of the stocks we had to pay $400 and $500. I do not remember paying any more than $450 for other than this one. When we had acquired two-thirds in each of the companies, we made an agreement for the organization of another company, called the Brooklyn Union Company, to take these over at a consideration which, perhaps, had more reference to the cost of the properties to us than to their value.

Q. That, of course, would include the franchises, privileges, and everything?—A. Here was a stock selling in the market at $400 a share. It could not be bought for any less. It had been selling at a high point for years. The capitalization was very low. Its property had become very valuable. It had a large amount of real estate. Its franchises, its business, and all that sort of thing had to be taken into consideration; so I should hardly say the bonds really represented or had any relation to the tangible property in a case like that.

BENEFITS ACCRUING TO THE PUBLIC FROM THE BROOKLYN UNION GAS CONSOLIDATION.

Q. The intention was rather to capitalize it at such a figure that it would pay dividends after paying interest on the bonds, without much reference to the values in the sense of tangible assets?—A. That is right. And in that case I would like to say, if you will permit me, that we became by that operation monopolists so far as the gas business of the entire city of Brooklyn was concerned, and we were intrenched as we are to-day in that position. The average price of gas by these various companies when we bought them was $1.25 per thousand, and we voluntarily entered into an arrangement by which we reduced the cost somewhat, and have been reducing the price 5 cents per year until now it is $1. There is a case in point where a monopoly—an absolute monopoly (well, we could protect ourselves against anything, for it was impossible for another company to get into the city of Brooklyn); where a monopoly was able to reduce the cost and at the same time was willing to give the consumers the benefit of it. And I will say that our relations with the public are of a most pleasant character. We never had a complaint. We send out nothing but 27-candlepower gas, and they used to get 20 and 22. I think if the people of Brooklyn were to vote on the question they would say they get better gas than ever before, and would unanimously agree to continue the present condition rather than go back to the old.

Q. (By Mr. Litchman.) Did the legislature of New York take any action at all toward reducing the price of gas in the city of New York?—A. It did in New York, but not in Brooklyn.

Q. So your action was entirely voluntary and not caused by any action of the legislature?—A. Yes.

PROFITS SINCE THE CONSOLIDATION.

Q. (By Mr. Phillips.) You make fully as large a profit at this reduction as you did when you were selling at a higher price, on account of the newer processes and of manufacturing more cheaply?—A. There is no material difference. On the contrary, oil has gone up. Oil costs to-day half a cent a gallon more than it did a year ago, and that means a difference of 2½ cents on the cost of gas. Gas is costing us to-day 2½ cents more per thousand feet than it did last year.

Q. How was oil the year before?—A. My impression is it went up about the same the year before. Oil has been advancing for the last 2 or 3 years.

Q. About 3 years ago oil was higher, and last year it was lower, and this year it has advanced some, but now it has dropped again?—A. We do not find much of a drop as far as we are concerned. We pay about the same price.

QUESTION AS TO THE DANGERS ARISING FROM OVERCAPITALIZATION.

Q. (By Mr. Jenks.) Do you, speaking generally, recognize any dangers to the public or any evils, so far as the public is concerned, in the industrial combinations?—A. I can not see any. I think the public will be benefited by them.

Q. I mean the question to cover not merely what might be done if they were

wisely and conservatively managed, or what has been done in your own case, but I wished to ask whether there had been found in individual cases serious evils, so that you might think it desirable for the state, by legislation or some other means, to guard against a repetition of those evils in the case of new companies that may be formed. Overcapitalization has been frequently spoken of as an evil in some of these organizations. Do you think your experience would justify that?—A. Overcapitalization is not going to affect the earnings; and the stockholder and the public, if you please, are interested in earnings rather than in capital. It does not make any difference what the capital stock of a company is. It may be $100,000,000, and if it can only earn $2,000,000 it can earn 2 per cent; if the capital stock is $10,000,000, it might earn 20 per cent. I do not think the amount of the capital stock is a matter of any concern to the public.

Q. You do not think that the desire to earn dividends on a high capitalization has any influence toward increasing the price of the product to the consumer?—A. I should say not. I should think other conditions would influence the price rather than the amount of the capital stock.

Q. In the main you think it has no influence?—A. I am quite sure the managers of every company will earn every dollar they can, if they can do it consistently with their own preservation and with the interests of their stockholders. It is their duty to do that. It does not make any difference whether the capitalization is too high or too low. I do not see that that has anything to do with the earning.

Q. (By Mr. LITCHMAN.) In that connection would your reasoning hold good in a case where the combination had a monopoly through patents or trade-marks? Would there not then be a temptation to crowd the price a little higher to the consumer?—A. Very likely. That would be natural, of course.

Q. If the combination had public franchises that gave it an advantage, and there was an overcapitalization of stock, the public would be at a disadvantage in that connection also, would it not?—A. Yes; it might. But I do not see that the capitalization would necessarily have anything to do with it.

Q. Only as an inducement to get the higher price from the consumer in order to pay dividends on that overcapitalization?—A. The same inducement would cause the manager to make all he could out of his business whether his capital was one or ten million.

Q. But a 20 per cent dividend in a business would be more likely to attract competition than a 2 per cent dividend, would it not?—A. No; not necessarily. I think it all goes back to the question of what they earn and not what the capitalization is. For instance, here is a company that may be capitalized very low—for $500,000; it is earning interest at 5 per cent on $40,000,000. It is worth approximately $40,000,000, it matters not what its capital may be. The capital, as I look at it, has no relation whatever to the earnings, or should not have in the minds of anybody.

Q. The claim is made, however, that a company (without specifying any particular company) is capitalized for its full earning capacity by preferred stock, and then, on a mythical assumption of good will, an equal amount of common stock is issued, which in the common parlance of the times is called water; that thereby an injustice is done to the public because there is an attempt made, or it is assumed that an attempt will be made, to earn upon that water as well as on the legitimate issue of stock. Do you think there is any danger of that?—A. I do not, because I do not think it would make any difference with the earnings whether the company had a large amount of water in its stock or not. Properly managed, that business will pay so much money. It does not make any difference whether it is distributed over $1,000,000 or $10,000,000 of stock.

Q. I am speaking of the price charged the consumer.—A. The manager's earnings come from the difference between his cost and what he charges his consumer. He is going to get all he can, but he must be careful, because if he raises the price too high, in comes competition. To keep out competition he must reduce his price and keep the margin between cost and selling price just as low as he can. Self-preservation compels him to do that.

Q. I want to ask, if you care to express an opinion, how far this recent decision of the court of errors and appeals of New Jersey will affect the alleged overcapitalization in the future?—A. I do not think it will affect it at all, if I read the matter correctly in the newspapers, for the reason that the decision expressly leaves out of account stock issued. As I have attempted to show, in the issue of the original stock of the company, it is issued at one time in one transaction. It is then out and no court, under that decision, can interfere with the appraisement of the property that went in there. It is only when you come to issue additional stock later on and begin to take in additional properties, that the court can interfere. Here is a company in existence, with a lot of stockholders. Any stockholder can go into court and

enjoin the taking in of new additional property at a proposed price, because it is excessive; the court can then come in and say whether the action of the directors in determining that that property is worth that amount is correct or not.

Q. Your idea is that all the companies have to do is to see that they issue stock enough in the beginning?—A. That is right.

OVERCAPITALIZATION AND THE INVESTOR.

Q. (By Mr. CLARKE.) Since many more people than ever before have become investors in these industrial companies, is it not important that overcapitalization should be guarded against in some public way?—A. To protect the investor?

Q. Yes.—A. Oh, that is another proposition. I think that to protect the investor there should be some supervision of the capitalization of the company, and there should be publicity in its affairs to such extent as may be necessary to enable the investor or the stockholder to know what his company is doing; but not to the extent that would permit a competitor of that company to know its business. If you can draw the line along there somewhere, I think it would be a very desirable thing.

Q. Would you have public commissioners of corporations, either state or national, to have a supervision over the limit of the capital stock?—A. It might be practicable to have some check upon the issue of stock.

Q. What protection is there now to the ordinary investor against acquiring at a high price (which has been manipulated, perhaps) property which will soon decline in value?—A. I know of no way of protecting him. That is a misfortune that every man labors under in this world. He buys a horse that he is sure is sound and he subsequently finds that he has a splint, and instead of being worth $150 he is worth about $40. I do not know of any way in which you can protect that man against making that kind of trade.

Q. He can protect himself by a suit at law; but is it not different in this case? It occurred to me to ask your opinion as to whether or not some of the sanctions which common law and the statutes give to transactions in ordinary personal property can not be applied in some public way to investors in the stocks of corporations?—A. I do not see how it is possible for anyone to absolutely determine the value of the property that goes into a corporation for a given amount of stock. It must necessarily be to a certain extent an estimated value. All the circumstances that surround the particular case have to be taken into consideration in determining that value. If a public official is charged with the duty of determining whether a greater or less amount of stock should be issued for a particular property, I do not quite see how he would arrive at a decision of that question.

SHOULD THE AMOUNT OF CAPITAL STOCK ISSUED BE LIMITED?

Q. Some people think it is unwise to limit the amount of capital stock of any company. What is your opinion about that?—A. Well, I should think there might be cases where it ought to be limited. Of course, the subsequent purchaser of that stock can not himself, perhaps, arrive at a determination of whether it is properly capitalized. On the other hand, if you allow an unlimited issue of stock without any reference whatever to the properties for which it is issued, the public is liable to be imposed upon.

Q. The main object of a limitation, then, is the protection of the investing public, you think?—A. That would be all, I should think. I do not see how you could limit it. It would have to be under some state jurisdiction. The United States, of course, would have no jurisdiction in that kind of matter.

Q. (By Mr. PHILLIPS.) If it were unlimited, there would be no way of ascertaining the value of any particular share, would there?—A. No way except by going into the question of the assets and earning power of the company.

Q. Does not the issuing of shares imply a limitation of the capitalization?—A. It might under proper supervision; I do not know that it does now.

Q. (By Mr. CLARKE.) Unless there is some public supervision, the only limitation that is made, in the first instance, is by those who organize the company, is it not, and afterwards the value is put upon it by the stock market?—A. That is right.

THE RELATION OF CAPITALIZATION AND DIVIDENDS IN THE CASE OF A COMPANY POSSESSING A PUBLIC FRANCHISE.

Q. (By Mr. JENKS.) I should like to go back for a moment to the question as to the relation between capitalization and dividends and earnings. You would make an exception to the general principle that you lay down, in the case of a company

having a public franchise, the price of whose product may be fixed by legislation, as, for example, a gas company? You would think that with a capitalization on which they would pay a dividend of say 30 per cent, there would be more danger of having the price lowered arbitrarily by legislation than to have that capitalization so increased that the dividends paid would be only 5 or 6 per cent?—A. On the surface it would, of course, look as though 30 per cent was an excessive dividend. On the other hand, an investigation might show that the properties owned by this company had so advanced in a long course of years that its capitalization was away below what it ought to be, and therefore a 30 per cent dividend was no more than a fair dividend on its actual value of property.

Q. In the case of such a company, however, there is, of course, a good deal of monopolistic power intrusted by the franchise, so that a 30 per cent dividend might perhaps be considered an excessive earning on account of the higher price which the company was able to fix. In that case would, in your judgment, a legislature be more likely to reduce arbitrarily the price than if the stock were double or treble, so that the dividends on the face of them would be more reasonable?—A. I should think it would.

Q. So the case of a public franchise company might be something of an exception to your general rule?—A. It might be different.

EFFECTS OF INDUSTRIAL COMBINATIONS ON THE BALANCE OF TRADE AND FINANCIAL CRISES.

Q. (By Mr. KENNEDY.) People championing the industrial and railroad combinations claim that the railroad combinations and the industrial combinations are able to do two things: They effect such economies and savings in transportation and manufacturing that they are very important factors in keeping the balance of trade in favor of this country; and the other claim is that they are able to keep the production so even with the demand that there is no overproduction, and thereby they are able to avert panics and financial crises. I would like to ask you if you have any opinions on these two points that you would care to give to the Commission?—A. I have no doubt that both the propositions stated by you are well founded, if I correctly understand them. Take, for instance, the United States Steel Corporation, just organized. That organization became an absolute necessity under the situation confronting Mr. Morgan. Here was the Carnegie Company, which, by the way, was not a so-called trust up to a year or so ago, but a mere copartnership; and if you are going to legislate about corporations I think you will have to go into copartnerships too. Here this company dominated the steel situation. It was threatening to invade the territory of all the other steel concerns and bring about a general demoralization of prices, and undoubtedly an overproduction, which would have thrown thousands of men out of employment for a considerable period, and would have brought about in the end a devastating and destructive panic. Seeing that situation, Mr. Morgan stepped to the front and devised a system by which practically the entire steel business of the country could be brought under control, and whereby the dangers that confronted the country could be averted; and that company, if it is wisely managed, as it undoubtedly will be, will prove to be a regulator. It will sell its products at as low a profit as it is possible for any concern to do, because it can manufacture cheaper than any small concern that can compete with it. It own interests will force it to pursue a course that will be conducive to the interests of both the public and the people who purchase and consume its products. It seems to me that that is a case very much in point in connection with your question, and I think it will be of an inestimable benefit to the country that that combination was formed when and as it was.

Q. Do you think that these combinations, being able to regulate or control production, will have a great influence in averting panics such as we have had in the past?—A. I think there is no question about it.

Q. Do you think that idea is and has been in the minds of the men who have brought about these combinations?—A. I have no doubt of it.

IS THE MAINTENANCE OF EXCESSIVE PRICES PREVENTED BY COMPETITION?

Q. (By Mr. PHILLIPS.) You have spoken of the United States Steel Corporation as having a practical monopoly and being thereby enabled to regulate prices and to prevent competition. Do you think it is wise for any great corporation to have the power to fix prices?—A. You are protected against any undue maintenance of prices. Its own future depends upon keeping prices at a point that will not stimulate competition. It is utterly impossible for them to control the raw material. You can

not monopolize that. This country has so many deposits of all the elements for making iron that the company's own preservation—monopoly though it may be to a certain extent, although it is not a monopoly as a matter of fact—would keep prices down to the level necessary for earning a fair amount of money on the amount invested.

Q. Has it been true of any corporation, firm, or individual, when it had control of the whole market, that it did not extort or ask too high prices? Doesn't the history of the world show that it is not safe to trust any individual or corporation with absolute power to fix prices?—A. If they had complete control of the raw material, if it was impossible, for example, for anybody else to go into the manufacture of iron or steel in this country, then, possibly, a monopoly of that sort might be dangerous; but as the United States Steel Corporation has not such a control, as you and I can go into the iron and steel business, because there is plenty of raw material we can purchase, the fact that this organization has been organized is coupled with the fact that it is not necessarily a monopoly. It can not be, although it is so dominating that its prices will control prices of steel in this country.

Q. Would any small amount of capital, however, attempt to compete with such a large concern with any hopes of success? Could not the large concorn follow into any given market and undersell in that market while recouping in other markets?—A. Yes, possibly.

Q. Has not that been the practice of some of the large trusts or combinations of capital?—A. I have no doubt that the tendency has been to get the highest price obtainable for products. That is to be expected, but I do not believe that a large combination is necessarily going to keep out all competition. If that large combination is not managed wisely it will build up around it a lot of small competitors, each a small one, but each controlled by men who have their spurs to win, who will put their entire energy into that business, who will bring their personal characteristics to bear on customers, and they will find a place to sell their goods even in competition with a big monopoly. There will never be a monopoly in this country.

Q. Would not this large concern go into that particular market and undersell them there, whereas the large concern could make great profit where they had no competition?—A. If they did, the result would be that competition would spring up somewhere else, and half a dozen small wolves will worry a bison to death.

QUESTION AS TO THE DESIRABILITY OF REMEDIAL LEGISLATION.

Q. Part of the duty of this Commission is to recommend legislation to Congress and the different states upon these questions we are considering. From your experience as a banker and promoter of these large industries, have you any recommendations that you would care to suggest in that direction?—A. I do not believe in attempting to control the business of the citizen by legislative enactment. I think it would be most unwise. If, as time goes on, you reach a point where a monopoly has been established, then take that question up, and if necessary legislate about it, but any general legislation at this time might very seriously interfere with the position this country is taking in the markets of the world. This fact certainly ought to be considered very carefully before you undertake to legislate in any direction or interfere in any way with the citizen in pursuing his business, the manufacturing and selling of the products of this country.

THE TARIFF AND INDUSTRIAL COMBINATIONS.

Q. (By Mr. LITCHMAN.) Have you considered the claim that the way to attack this gigantic steel combination you spoke of a moment ago is to repeal the duty on manufactured steel products? Do you care to express an opinion on that proposition?—A. I should think it would be a very unwise thing to do. It would be most unwise to attempt to legislate in that direction, because legislation in that direction means the destruction of your industries, and the destruction of an industry in this country means, in my judgment—I am a very high protectionist myself—means the building up of the business of some other country.

Q. Then would you go so far as to say, if there should be a monopoly, you prefer to have an American monopoly rather than a British monopoly?—A. I do, decidedly.

Q. (By Mr. CLARKE.) Do you believe it would be possible to remove the duties from iron and steel products without opening up the whole tariff question?—A. I should say not, decidedly.

Q. (By Mr. LITCHMAN.) If the tariff were revised, reduced, or abolished on iron and steel products, would not the recently formed United States Steel Corporation

be in a better condition to meet the competition of foreign manufacturers than would the few independent corporations existing outside of that steel combination?—A. Possibly it would.

Q. And then would not the force of the repeal fall more crushingly upon these independent operators than it would upon the steel combination?—A. I should think it would.

THE EFFECT OF TARIFF AGITATION UPON BUSINESS.

Q. (By Mr. CLARKE.) What general effect does tariff agitation have upon the business of the country?—A. Most disastrous; it paralyzes business pending the final settlement of the question.

Q. Do you know of any pressing need for legislation in that direction?—A. I do not.

Q. Is it your opinion that business conditions of the country are generally safe and sound, and that the present era of prosperity may be continued unless politics interferes with it?—A. I see no reason to look for any cessation of the present unexampled prosperity in the immediate future, unless there should be some attempt by legislation to interfere with the general progress of the country.

(Testimony closed.)

THE CORDAGE COMBINATIONS.

WASHINGTON, D. C., *April 10, 1901.*

TESTIMONY OF MR. H. W. GRIMWOOD,

Acting Secretary of the Cordage Association.

The commission met at 10.45 a. m., Vice-Chairman Phillips presiding.

Mr. H. W. Grimwood, of New York City, acting secretary of the Cordage Association, was introduced as a witness and, being duly sworn, testified as follows:

Q. (By Mr. JENKS.) Will you kindly give your address, Mr. Grimwood?—A. 46 South street, New York.

Q. You are at the present time acting as secretary of the Cordage Association?—A. Under the nominal secretary. I am the acting secretary.

Q. Who is the nominal secretary?—A. Mr. W. P. Whitelock. I call him the nominal secretary because he is not active.

Q. Have you been engaged in the cordage business for some time?—A. I have been. Some years ago I was closely engaged in it, but dropped it several years ago. I have been in the line of the business all the time, but not actively engaged in the last two or three years—not actively engaged in any particular company or mill.

Q. Were you earlier associated with the cordage combinations, so called?—A. I was an employee of the National Cordage Company, and when they failed then I was an employee of the United States Cordage Company, and when they failed I was an employee of the Standard Rope and Twine Company.

GENERAL NATURE OF THE CORDAGE BUSINESS.

Q. Will you tell us briefly, in your own way, the general nature of the cordage business in which these combinations have been engaged?—A. The mercantile and other lines of business?

Q. Yes, both the mercantile and manufacturing business, particularly the manufacturing.—A. Well, I do not know exactly how to answer that question.

Q. What is the nature of the business?—A. To manufacture manila, sisal, New Zealand, Russian, Mauritius, and American hemps—in other words, fibers—into what is called ropes, cordage, and binding twine—that is a different thing from commercial twines—and, of course, the distribution of that product throughout the country.

AMOUNT OF BINDING TWINE AND CORDAGE PRODUCED.

Q. Have any of these combinations been manufacturers of binding twine as well as of cordage proper?—A. Yes; all of them.

Q. From the point of view of value, about what proportion of the product is binder twine and what cordage?—A. It varies very much. It is a difficult thing to give the value because the prices vary so largely, but I can give you an estimate as to the country's consumption of the two products.

Q. Very well; that will serve.—A. I can not give you the production statistics of the various mills, because they are not published; but my individual estimate is that the consumption of the country is about 80,000 tons of binder twine and 60,000 tons of rope a year. Of course I have to compile that estimate from various sources; it may be nearly correct and it may be somewhat out of the way, but I do not think it is very much out of the way.

MARKET FOR MANILA AND SISAL ROPE.

Q. (By Mr. PHILLIPS.) What is the chief market for the rope?—A. It is all over the country. There are different kinds of rope. For instance, there is manila rope and sisal rope. The other ropes are of less consequence. We do not pay any particular attention to them. The manila rope is of course used very largely for marine purposes all along the seaboard and also on the lakes.

Q. Does that constitute as large a market as the use of it for drilling purposes and boring wells?—A. Oh, larger.

Q. A good deal larger than for all the salt and gas and oil wells?—A. I think so. I do not know what proportion this use for drilling requires, but I should say it is comparatively small, although it is a good trade.

Q. (By Mr. JENKS.) What is the chief use for sisal?—A. The sisal is not used for the marine to any great extent. Once in a while it may be, when the prices are high, but not much. It goes into the South and West and is used for hoist ropes, and there is a large proportion of it used for different purposes, on railroads, constructing buildings, binding, and things of that kind.

Q. I suppose that the supply for the lake and coastwise traffic is practically all purchased here in the United States. Is the rope for the international ocean traffic supplied from this side or is it supplied mainly from Europe?—A. Both. I can not tell which side has the larger share of the trade. There is this to be said, though: The trade very much prefers the American rope.

Q. Why?—A. Because a great deal of foreign rope is mixed. It has not the staying power and the strength and reliability of the American rope. That is the way it used to be. I suppose it is the same as when I was active in the business.

AMOUNT OF CAPITAL REQUIRED FOR A CORDAGE PLANT.

Q. Does the manufacture of cordage at present require the investment of a large amount of capital in order to carry on the business successfully?—A. Yes; a comparatively large capital, but not, of course, as compared with steel plants and mills of that kind.

Q. How much capital would, in your opinion, be required to establish a thoroughly equipped and successful plant for the manufacture of cordage?—A. Well, it would depend on the size of the plant, of course. For a 500-spindle mill—that is a pretty good-sized mill—about $500,000 would be required. That includes the land and buildings and the equipment with all kinds of machinery and boilers and engines and shafting, and putting the plant into complete working order. That is an estimate which I would say represents fairly the outlay, and the working capital would have to be in addition.

Q. How much working capital would be required in addition to run it successfully?—A. I should say probably about $250,000.

DESIRABLE LOCATION FOR A CORDAGE PLANT.

Q. (By Mr. LITCHMAN.) One question I should like to ask in that connection. Is there anything in the business which makes it advisable to locate the plant at any particular place?—A. Well, yes; but those particular places vary. For instance, some places have special advantages. Now, you take a place that is on the seaboard and is perhaps a little outside of the ports, but is at a point where land is very cheap and labor is cheap. While they have that advantage, at the same time they have to stand a certain additional amount of transportation. Of course the ideal place for a mill is one where you can have the water and the railroad right at your doors, so that you do not have to do any trucking or anything of that nature. You can receive your hemp practically from the vessels right into your mill and ship it by rail or water wherever you want to. I have my eyes fixed now on a desirable site a little above New York.

LOCATION OF CHIEF CORDAGE PLANTS OF THE UNITED STATES.

Q. (By Mr. JENKS.) Where are the leading plants in this country?—A. The leading ones are in Boston, in Plymouth, Mass., in Philadelphia, and in New York City. And there is one down in Galveston that is a very fair plant, but it is not working now. Then in Chicago, in Xenia, Ohio, and in Peoria, and then there are some smaller ones that are scattering. There are two plants on the Pacific coast, but in the Eastern cordage business we never pay any attention to them because they confine themselves to the western coast, and the manufacturers in the East very largely confine themselves to the region east of the Rocky Mountains, although they do sell some in California.

IMPROVEMENTS IN METHODS OF MANUFACTURE—PATENTS HAVE EXPIRED.

Q. (By Mr. PHILLIPS.) Has there been any advance made in making cordage, any improvement in methods, within the last 25 or 30 years?—A. Oh, yes; since 25 years ago the improvements have been quite rapid. The rope to-day is made by machinery, which, I think, has all been invented within 25 years.

Q. Are there any processes or patents that are peculiar to any one concern that the others do not have?—A. I think the patents have all run out. The John Good rope machines and preparing and spinning apparatus were supposed to be the best, and I think they were the best invented.

Q. That was a patent?—A. That was a patent, but I think it expired a few years ago.

Q. (By Mr. JENKS.) So that at the present time the advantages of any of these larger establishments do not rest particularly upon the control of patented machines or anything of that kind?—A. No; not that I am aware of. If there is anything I do not know of it.

ADVANTAGES AND DISADVANTAGES OF LOCATION IN INTERIOR.

Q. I notice you spoke of one large plant in the interior at Peoria, Ill.; what are the special reasons for a plant at Peoria?—A. I do not know that there are any particular reasons except that the people are located there. I do not think they have any special advantage. They started on twine, and most of those Western mills are twine mills. They do make rope, but they started as twine mills, and that is their main product. Of course they are right there in the country, so that they have the advantage of an immediate outlet for their product, while, on the other hand, they must pay their additional freights on the raw material.

RAW MATERIAL AND MACHINERY USED IN HEMP MANUFACTURE.

Q. Is the raw material for binder twine the same substantially as for cordage?—A. Yes.

Q. They use manila hemp also?—A. Well, they use it, but they have not used very much of it for the last year or two, because it has been so high.

Q. What do they substitute for it?—A. They use the sisal and a mixture. Binder twine consists mainly of sisal, the pure sisal; but they have a mixture of sisal and pure manila, and it practically makes the binder twine.

Q. Is the machinery in those factories like that for the cordage manufacture, and can the cordage manufacturer make binder twine and the manufacturer of binder twine make cordage?—A. They can do it unless the mills are put up especially as twine mills. All of the rope mills are supposed to make binder twine, but the twine mills can not make the rope unless they have the machinery for it. They can make the yarn, but they can not make rope unless they have the machinery.

LABOR COST OF HEMP MANUFACTURE.

Q. You spoke of the amount of capital that was required to establish a thoroughly equipped plant. Is the element of hand labor a very prominent feature in the manufacture of rope and twine, or are they manufactured chiefly by machinery?—A. Chiefly machinery.

Q. Can you give us any idea of the percentage of labor cost in the manufacture of cordage or twine? Suppose, for example, we take a ton of cordage, what percentage of the value of that would be represented by the wages of the laborers engaged in its manufacture?—A. That would be more or less of an estimate with me. You can get that, of course, from the practical men that are right in the business, and know just what the labor cost is. Of course, it varies in different mills to a certain extent; but I should say, making an estimate, that the labor cost is probably in the neighborhood of three-fourths of the entire cost.

FLUCTUATIONS IN THE PRICE OF HEMP.

Q And what would you give, then, as a fair average price per pound for cordage?—A. Can not tell. It depends altogether on the price of hemp, and that varies. I will give you an idea of it. For instance, during the last three years the fluctuations have been very violent. Manila hemp has sold down as low as 3½ cents a pound, I think, and as high as 14½ cents; sisal hemp in proportion. Sisal hemp went down one time as low as 2½ cents a pound—I am speaking now from memory—and up as high as 10 cents.

SOURCE OF THE HEMP SUPPLY—AMERICAN HEMP.

Q. (By Mr. Phillips.) Where is this material, this hemp, obtained?—A. The manila comes from the Philippine Islands and the sisal comes from Yucatan.

Q. Has it been ascertained that the Philippine Islands can grow it better than anywhere else?—A. It can not be grown anywhere else, I understand. This fiber can be grown in this country and in tropical countries, but it has not any strength. It seems to require that volcanic strata or soil there to give it strength. That is my understanding.

Q. On the point as to where the chief places were to get this material, you spoke of Manila and Yucatan, I believe?—A. And Mexico; yes.

Q. Then what per cent of the various material that enters into cordage comes from this country?—A. Not a particle of manila or sisal. A little sisal also comes from the Bahama and West Indian Islands.

Q. What percentage enters into cordage from abroad compared to hemp that is raised at home?—A. American hemp is what we call the soft fiber, and I am not considering that at all in connection with the cordage trade. It is a comparatively small item.

Q. (By Mr. Jenks.) Do these larger companies make a product at all from American hemp?—A. Yes; they make it, but it is so small an item that they do not pay any attention to it.

Q. (By Mr. Phillips.) The larger per cent that is used is imported from abroad?—A. Almost wholly.

Q. And twine the same?—A. Yes. This American and Russian hemp does not go into the manufacture of rope and twine.

Q. (By Mr. Litchman.) What is the relative strength of ramie and hemp?—A. I could not tell you. We have never used ramie, and I do not know anything about it. It is a fine and a weaker fiber, but it has never been available to take the place of manila or sisal.

Q. (By Mr. Jenks.) Have you in mind the quantity of manila hemp that comes from Manila in normal years?—A. The average supply of manila hemp coming to this country for the last three years is 44,000 tons.

Q. (By Mr. Phillips.) Was that a lower average than the three years preceding on account of the war?—A. For the last three years—1898, 1899, 1900—there were normally 870,000 bales imported, and for the three years previous to that—1895, 1896, 1897—there were 1,214,000 bales; so that the receipts in this country were greater in the previous three years than they were for the last three years.

PROBABLE EFFECT OF A HEMP FACTORY AT MANILA.

Q. (By Mr. Litchman.) Have you considered what would be the effect of the establishment of a cordage factory at Manila?—A. Well, we do not know, of course, what the effect of that would be. It depends altogether on the price of labor and what they could do there. It would seem from past experience that if they should put a factory there it would be a pretty serious matter.

Q. (By Mr. Phillips.) That is, without the tariff on the product?—A. Oh, yes.

PRESENT TARIFF ON CORDAGE—TARIFF UNDER M'KINLEY AND WILSON ACTS.

Q. (By Mr. Farquhar.) Are you acquainted with the provisions of the tariff on cordage?[1]—A. I think it is half a cent a pound on rope. Have you the tariff there? I am not quite sure in regard to that. [Consulting book.] I will have to answer it from this. I had really forgotten it was 1 cent a pound. I was thinking it was half a cent.

Q. (By Mr. Phillips.) What is that on?—A. It is on cables and cordage, composed of istle, Tampico fiber, manila, sisal grass or sunn, or a mixture of these or any of them, 1 cent per pound; cables and cordage made of hemp, tarred or untarred, 2 cents per pound. That has to do with Russian hemp, and that is the very thing that comes in connection with what you were asking me about American hemp.

Q. (By Mr. Farquhar.) After that organization of the National Company you came under another tariff—the M'Kinley tariff. That was how much?—A. That was one-half cent a pound.

Q. And for the tarred?—A. Three cents.

Q. Was the duty fixed by the so-called Wilson tariff ad valorem or specific?—A. That was established in 1894 at 10 per cent ad valorem.

Q. Is binding twine on the free list?—A. That is on the free list.

Q. It is on the free list, however, with a countervailing duty in case there is an export duty in any territory that it is exported from?—A. I understand that to be the case.

[1] See pp. 136, 141, 150.

LOCATION OF PLANTS WITH REFERENCE TO SAVING IN TRANSPORTATION.

Q. So, in regard to your testimony with respect to the western manufacturers of Peoria and Chicago and Xenia, they had free binding twine; there was no tariff at all on binding twine when they started, and the only difference they had in competition with you in the East was the cost of transportation?—A. That is all. They were all on the same basis. I would not like to say there was no tariff when they were formed, for I think that the Peoria Cordage Company was in existence and manufacturing binding twine before the National was. We were all on the same basis, you understand. It is only a question of local advantage or disadvantage.

Q. And that lies entirely in transportation?—A. Yes.

Q. The transportation of the raw material from the port of the United States to Peoria and then the transportation from Peoria to the point of consumption?—A. Yes; that is it. Another question comes up in regard to some of those western towns, in bringing their sisal hemp up the Mississippi River direct from Mexico. There might be an advantage in doing that instead of bringing it to New York and then around. If they can get it, for instance, to St. Louis (and by the way there is quite a good-sized mill in St. Louis)—if they can get their hemp laid down in St. Louis as cheaply as we can get it laid down in New York they have the advantage, because they have the distributing power; they are right there, and hence gain this freight between New York and St. Louis.

OBJECT OF TARIFF ON CORDAGE AND BINDING TWINE.

Q. Would you call the tariff of 1 cent a pound on cordage a protective tariff or simply a revenue tariff?—A. Well, I think it has shown itself to be a protective tariff as well as revenue.

Q. (By Mr. PHILLIPS.) In what way is it protective?—A. It keeps the foreign twine out of the market.

Q. (By Mr. FARQUHAR.) That is, your tariff was put there to protect against the foreign manufacturers?—A. That is as I understand it; just the same as protecting other industries at that time through the protective tariff.

Q. And for the benefit of the farming population the fiber going into the binding twine, or intended for the manufacture of binding twine, was made free?—A. Yes.

Q. (By Mr. PHILLIPS.) Well, would it or not be an advantage to our citizens generally if there were no tariff placed on the raw material?—A. There is not any; there is no tariff on the raw material.

RESULTS OF ESTABLISHMENT OF A CORDAGE FACTORY AT MANILA.

Q. (By Mr. LITCHMAN.) Following out the idea of the question I asked you a while ago, if a factory were established in Manila would the tariff then protect the United States manufacturer?—A. I should say it would not. I do not know what the relations between the Philippines and the United States are just at present; I do not know as it is decided.

Q. I thought you might have taken into consideration the acquisition of the Philippines as a portion of territory tributary to the United States?—A. Certainly.

Q. And the effect it might have on your industry if the industry was transferred there?—A. Well, I think the effect would be, I will not say disastrous, but bad unquestionably, unless the rate of wages and so on should go up in the Philippines to a point equal to the wages in the United States. It could not help but be bad. They could put their twine in cheaper than we could make it here, which would, of course, be detrimental.

Q. Would the cost of the transportation of the finished product from the Philippines be as much as the cost of the transportation thence of the raw material at the present time?—A. Well, I should say yes, if not a little more.

Q. That is, the price per ton would be the same?—A. It probably would be a little more. I can not say that it would be; that is a supposition.

Q. Then how far would the element of transportation come in as a protection to the manufacturer in the United States?—A. If it were on an even basis it would not come in at all. If the Manila product came in on the same basis as the raw material the result would be the same, would it not?

Q. Then it would eliminate a portion of the cost and give the advantage to the manufacturer at Manila?—A. If the transportation was higher on the Manila article, as it generally is, that, of course, would be so much advantage.

Q. (By Mr. PHILLIPS.) What per cent in weight would be lost in manufacturing a ton or 100 tons of manila raw material?—A. It depends very largely on the quality of

hemp. Take the fine grades of hemp and the loss would be comparatively small. In the lower grades of hemp it is larger, because they contain considerable dirt and must be pretty thoroughly prepared. In the case of manila the loss would perhaps be about 3 to 5 per cent, or something of that kind.

Q. Would the loss in weight be a factor in transportation?—A. No.

CANADIAN CORDAGE—CANADIAN PLANTS NOT NOW INCLUDED IN AMERICAN COMBINATIONS.

Q. (By Mr. JENKS.) Is there much Canadian cordage imported?—A. No.

Q. Are there rope factories in Canada that work in connection with these larger American combinations? Did the National Cordage Company have some establishments in Canada?—A. They controlled those at one time.

Q. Do you know whether that is the case at present?—A. No; it is not. No; the Standard Rope and Twine Company, let me say right here, is a competitive company. It is just like a single company. They are no more of a trust or of a combination than any of the other mills, excepting that they have more mills; that is all.

Q. Do they at the present time have any Canadian mills?—A. No; not as I understand. I think they have cut loose entirely.

ROUTES BY WHICH HEMP IS BROUGHT TO THIS COUNTRY—MANILA SYNDICATE.

Q. (By Mr. FARQUHAR.) What is the route in bringing your hemp here from Manila?—A. It comes in two ways. It comes by steamer, and in that case, I think, it comes by the Suez Canal largely to England. Some of it comes direct to the United States, but the deliveries to the United States have been very light in that way of late. Just now the situation is a very peculiar one over there, because the hemp all is in the hands of a syndicate and some China houses.

Q. Is this syndicate composed largely of English, Americans, or Germans?—A. English, as I understand it.

Q. (By Mr. JENKS.) Are the American cordage manufacturers represented at all in the syndicate?—A. I think not; they deal with the Chinese houses at Hongkong and so on.

Q. Now, if you will finish your answer as to how the hemp comes here?—A. Then, the shipments that are made by sail come around the Cape.

Q. All water transportation?—A. Yes.

PACIFIC SLOPE AS A REGION FOR CORDAGE MANUFACTURE.

Q. (By Mr. FARQUHAR.) In case of the transfer of the manufacture in this country to the Pacific coast and the possibility of the use of cheap Asiatic labor there, the raw material coming in from the Pacific slope, would the difference of railroad rates to reach the markets of the East, coming over the transcontinental roads, overbalance the cheaper labor and nearer raw material on the Pacific coast?—A. I do not know how that would be. Of course, it would depend altogether on the extent of that labor, and you can not tell until you know what that labor is.

Q. Have they not had large hopes on the Pacific coast of establishing cordage manufacture there?—A. I do not know; I am not a tall advised.

CONDITIONS WHICH LED TO FORMATION OF NATIONAL CORDAGE COMPANY.

Q. (By Mr. JENKS.) Let us take up again the question of the National Cordage Company. When was that organized?—A. In 1887.

Q. What were the chief reasons that led to the organization of that company?—A. Well, I am not able to give you them. You must remember that with the organization I had nothing to do. I have never been connected with the company in any official capacity that would give me the inside motives for its organization.

Q. Do you know what the conditions of the business were?—A. I know what the conditions of the business were, and I can give you those, but I can only give them to you in a general way—information picked up here and there, which I believe to be correct; that is all. One of the motives leading to the formation of the company, as I understand it, was that they could, by gradually combining all these mills, reduce the cost of production. They could also reduce the cost of distribution; that would also make a more stable hemp market and consequently a more stable rope market. If they controlled, for instance, the mills of the country, there would be one buyer of hemp instead of 20 or 30. Instead of competing against each other all the time and pushing the price up and up, there would be one buyer, and that would result probably in a fair price; at any rate, they would be willing to take hemp at a fair price.

Q. (By Mr. PHILLIPS.) Did the competition of the companies in selling have a great deal to do with forming the National?—A. Undoubtedly.

Q. Was the chief object to get rid of the competition in selling?—A. That was another object. As I said, in distributing the goods that was a very important point.

Q. Do you believe in the competitive system?—A. I believe in the competitive system; there is no question about that; but my experience in the rope trade has been such as to lead me to think that the competitive system there has been very disastrous.

Q. (By Mr. JENKS). Was the competition before the organization of the National Cordage Company as severe as it is to-day?—A. No; in those days before the National Company was formed the manufacturers had an understanding with each other by which they made some money.

MANUFACTURERS INCLUDED IN NATIONAL CORDAGE COMPANY—OUTPUT CONTROLLED.

Q. Was the intention at the time of the organization of the National Cordage Company to bring nearly all of the leading manufacturers together?—A. That is as I understand it.

Q. About what percentage of the output of the country did the National Cordage Company eventually control?—A. I can not give you the proportion of the output, but they had a great many of the mills, and they had one or two very strong competitors whom they did not get hold of.

Q. The John Good Cordage Company?—A. No; they had an arrangement with them by which they shut up; they controlled them for the time being, but afterwards they broke loose. But the Plymouth Cordage Company and the Fitler Cordage Company of Philadelphia were two prominent concerns, and then there was the Pearson Cordage Company.

Q. Where was that located?—A. That was in Boston; that is now one of the Standard companies, but those three they never acquired. Whether there were others I do not know.

Q. Those were the leading ones remaining outside?—A. Yes.

Q. You have not any definite idea as to the percentage of the business controlled by the National Cordage Company; for example, whether it was 60 or 75?—A. No; I have not. They controlled a large portion of it, but I do not know what it was.

NATIONAL COMPANY DID NOT SECURE ALL OF ITS OBJECTS.

Q. At the time the National Cordage Company was doing business with comparative success did they succeed in steadying or controlling the market for hemp?—A. No; not altogether. They had this other competition and they were all of them working right against each other.

Q. As a matter of fact, did they succeed in controlling the material?—A. They never got to that point; they failed before they reached the point they were striving for.

Q. Did they succeed in making any substantial economies in the cost of selling?—A. That I can not say.

REASON FOR THE FAILURE OF THE NATIONAL CORDAGE COMPANY.

Q. This company went into the hands of a receiver about what time?—A. In 1893.

Q. Have you any knowledge or any information that seemed to you satisfactory as to the special reasons for the failure?[1]—A. Only what is before the public. The company evidently did not have money enough to carry the scheme through. They had purchased a great many mills throughout the country, and they did not make money enough to carry the plan out as they intended.

Q. Were there any serious charges made at the time with reference to speculation in the stocks of the company as a cause of its failure?—A. I never heard of that. I heard it rumored that they were working a good deal in the stock market, but I never heard that in the light in which you put it.

Q. Was the apparent reason for the failure that they had attempted to take in more mills at high prices than the state of the market would justify?—A. And did not have means to do it. That is my idea.

Q. (By Mr. FARQUHAR.) Did the shrinkage in stocks impair the credit of the company?—A. Undoubtedly.

Q. Was that the real reason for the failure?—A. I do not know about that. Of course what precipitated the matter was the fact—perhaps you all remember it—that they proposed to issue, I think it was two million and a half preferred stock. That was the straw that broke the company's back.

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[1] See pp. 130, 155.

Q. The company had lost public faith and credit, and they could not float the stock?—A. Yes; and I guess some of the bears on the stock market took the cue and attacked them.

Q. (By Mr. JENKS.) Was there anything in the nature of the business itself that tended to precipitate the failure? Was there a fall in the price of hemp when they had a large stock on hand, or anything of that kind?—A. Yes; I think so. I hardly like to go on record about that, because it is a matter about which my memory may be at fault; but my idea is that for a time they made a great deal of money; prices were very high. Then the turn came, and of course when that came they had to suffer.

REORGANIZATION—THE UNITED STATES AND THE STANDARD COMPANIES.

Q. Perhaps now you will sketch in your own way, rather briefly, the change from the National Cordage Company into the United States Cordage Company, and then from that into the Standard Rope and Twine Company, so far as they are the same plants. Then I will ask you to speak later with reference to your own association?—A. The National Company failed in 1893. They immediately went to work to reorganize the company. They assessed both the preferred and common stockholders, if I remember rightly, and raised about $3,000,000, and formed the United States Cordage Company. Now, just the amount of securities that were out in the United States Cordage Company I do not recall. That is a matter of record anyhow. I think the United States Cordage Company was in existence about a year, perhaps a little more, and then they failed. Then they were succeeded by the Standard Rope and Twine Company on the same basis of an assessment against the stockholders, and when that was done their stock was scaled down from—I think their common stock from $20,000,000 to $12,000,000.

Q. At the time of the reorganization into the United States Cordage Company was there any cutting down of the stock?—A. I think not. I think there was simply a change of the form.

Q. Was there a change in the management?—A. The management was changed, I think. I suppose you have the information all there, while mine is simply a matter of memory.

Q. You intended to run on the same basis of capitalization as before?—A. Yes; I think it was not cut down.

Q. Was the failure of the United States Company from substantially the same cause as that of the National Company?—A. Yes; from trying to do too much without enough money to do it.

Q. The Standard Rope and Twine Company cut down their capitalization?—A. They reduced their capital from $20,000,000 to $12,000,000. That is where their capital stock stands to-day. They had $7,500,000 first-mortgage bonds which they put in the form of income bonds, not drawing interest unless it was earned. Then they had the $3,000,000 raised by assessment, and they put that into first-mortgage bonds—6 per cent gold bonds.

DISPOSAL MADE OF SOME PLANTS BY THE STANDARD COMPANY.

Q. Did they dispose of any of the plants or did they keep them all?—A. They disposed of quite a number of them.

Q. Was that the reason they reduced the capital?—A. Well; I do not know.

Q. If they disposed of plants they had the money to use?—A. I do not know. I never heard. My idea was that they thought that by the reduction they could get down to some reasonable point where possibly there might be a chance to pay something on the stock.

Q. (By Mr. PHILLIPS.) Were the plants they still owned utilized for manufacturing purposes or were they wrecked?—A. Some were used and some were wrecked.

Q. In selling, did they pay attention to that? Did they fear competition in selling them?—A. I do not know about that. They evidently did not fear it in some instances.

STANDARD COMPANY'S SPINDLES COMPARED WITH TOTAL NUMBER OF SPINDLES IN THE COUNTRY.

Q. (By Mr. JENKS.) Suppose we take the present situation of the Standard Rope and Twine Company under its last reorganization. You said a while ago that there is a very vigorous competition at the present time in the trade?—A. Yes.

Q. Do you know what percentage of the output the Standard Rope and Twine Company has now? You spoke of that as the largest concern?—A. I do not know. You know these things are all estimated, because there are no returns given. There

is not a manufacturer who gives his returns, and we do not know what he is doing. All we can do is to guess at it, or estimate it from the number of spindles they keep in operation.

Q. Do you know what percentage of the spindles of the country is controlled by the Standard Rope and Twine Company?—A. I can guess at it and come very close to it. I am now speaking of the active spindles and not the total spindles. I know about how many spindles they are working, but I have not the figures in regard to the others. They are working about 1,800 spindles.

Q. What is your estimate of the total number of spindles in the country?—A. I calculate that in the United States there are about 11,000 spindles in use or ready to start. This is east of the Rocky Mountains—paying no attention to the Pacific coast.

LEADING CORDAGE PLANTS OF THE UNITED STATES.

Q. (By Mr. Jenks.) What are the next largest establishments, would you say, after the Standard Rope and Twine?—A. The next largest is the Plymouth Cordage Company. Well, I do not know about that. Yes; put it for the present the Plymouth Cordage Company.

Q. And the next?—A. The McCormick Harvester Company. They will be the largest before they finish.

Q. Are they manufacturers chiefly of cordage or of binding twine?—A. Binding twine.

Q. Would the Fitler Company come next?—A. Yes.

Q. You would put these four as the leading ones?—A. There are others. There is the Columbia Cordage Company, which will come right along with them.

Q. I judge from what you say that at the present time no one of these companies has over 20 per cent at most of the output of the country?—A. No.

Q. Among these larger companies is there any understanding as to prices? Is the competition a real and active one?—A. It is a real competition. There is no binding agreement to maintain any price.

CONDITION OF CORDAGE BUSINESS—NO PROFIT IN HEMP MANUFACTURE.

Q. What is the condition of the cordage business? Is it successful and making money?—A. The money made in the cordage business for a long time past has been made, in my opinion, entirely by speculating in hemp.[1]

Q. Made in buying hemp?—A. Yes; entirely so.

Q. Would you say, as regards the manufacturing business proper, that there is practically no money in it?—A. I do not think there has been a time for several years when there was practically a margin of profit between the raw material and the manufactured goods.

REASON FOR FORMATION OF THE CORDAGE MANUFACTURERS' ASSOCIATION.

Q. What is your association?—A. It is called the Cordage Manufacturers' Association[2] of the United States.

Q. Will you kindly tell us what the nature of the association is? Tell us first how it happened to be gotten up, the nature of it, and what you do.—A. After the failure of the National Cordage Company the cordage trade was in a very bad condition, and the competition among manufacturers became very keen, and they became very much separated from one another. The competition was so keen, prices so low, and business so poor that some of them thought it was about time to get together and have a better understanding and better comradeship, you might say, than existed. I will not say the manufacturers were unfriendly, but they were all separated—there was no community or feeling of fellowship. So this association came about. The manufacturers came together and talked over matters and thought that some good could be done by keeping a little closer to each other, and so they formed this association. They met at first in New York at a dinner there; then they formed the association, and since then they have been having these meetings, not at a stated time, but whenever they felt called upon to have them—sometimes at long intervals and sometimes short.

NATURE OF THE ORGANIZATION—OFFICERS, MEETINGS.

Q. What officers does this association have?—A. It has a secretary.

Q. Is there any constitution or by-laws?—A. No.

Q. I suppose that when some of the cordage manufacturers think they would like to talk with the others, they notify the secretary that they would like to have a meeting?—A. That is it exactly.

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[1] See pp. 139, 154.

[2] See pp. 135, 148, 159.

Q. Does the secretary send out notices at his discretion?—A. Not exactly that. He sends word that "So-and-so would like to have a meeting," and asks "What do you think?"

Q. How often have meetings been held?—A. Very irregularly. They have run over intervals from 4 or 6 weeks to 8 or 10 months.

Q. How long has this association been in existence?—A. About three years this April.

Q. Do the manufacturers probably average three or four meetings a year?—A. At a rough guess, yes.

QUESTIONS DISCUSSED AT MEETINGS OF THE ASSOCIATION—AGREEMENTS ON PRICES.

Q. At these meetings, what questions are discussed?—A. Questions of general interest to the trade, the general outlook, and any questions that may come up, any abuses that arise which might be corrected by united action.

Q. Have you been present yourself at most of the meetings?—A. Not at the beginning, but for the last two and one-half years.

Q. Suppose you specify in detail the nature of the subjects discussed. Give some examples.—A. They talk in a very informal way, for example: "What do you think of hemp?" "Give your views in regard to hemp." "What is it going to be?" Then very often some special subject will come up. Of course there are various things talked about—for example, guaranteeing prices; sometimes that has crept in, to see if they can not show the competitive feature of the business to be demoralizing enough to stop it; but they do not always succeed in doing so.

Q. Have they succeeded in getting agreements on prices?—A. Not an agreement to maintain prices. It has been customary for a number of years for the manufacturers to put out a card price. Now these card prices have been issued in different ways; they are not uniform, although the natural result is uniform as far as the trade is concerned. Some put them higher than others, but provide for a certain discount. So at these meetings the question will be discussed. One will say, "I am going to put up my price." Some one else will say that he will do the same thing; and perhaps they will all do it—they will all put up their prices. But there is no agreement to follow those prices. They simply put them out; and if they can get them, well and good; if not, they won't.

Q. (By Mr. PHILLIPS.) Frequently manufacturers cut under those prices?—A. Oh, yes.

Q. Is that to their advantage?—A. They think so, but generally it is a disadvantage. It is this way: The supply and demand determines the question; but by agreeing upon uniform prices in this way it steadies matters a little and prevents this irregularity all over the country as far as the public price is concerned.

ANOTHER EXAMPLE OF TOPICS DISCUSSED—ARBITRARY FEATURES IN CONTRACTS.

In regard to giving an example of topics discussed I was going to say: The position of the hemp market for the last two or three years—since the beginning of the Philippine war—has been a very peculiar one. When all ports were closed there was a great scramble for hemp, and everybody bought all the hemp obtainable—bought all that was in sight—and that is where they made money. But the contracts on which hemp is sold have been, as far as any legal aspect is concerned, very arbitrary and very one-sided. I do not mean to say that the legal aspect of these contracts is always enforced, because it is not; but it can be enforced, and the association has taken up that matter—to have those arbitrary features corrected.

Q. What are the special features that may be considered arbitrary in those contracts?—A. Take the case of manila hemp. You know there are a number of grades. The standard grade is what you generally call current hemp, and the different qualities run up and down from that. The next higher grade is good current. A year ago good current was sold for about one-eighth to one-quarter of a cent a pound above the price of current. It is now about 1 cent a pound above the price of current. They have really dropped their standard of quality; current is not as good as it used to be, but there is a wide variation, owing to supply and demand. Now, I buy, for instance, 1,000 bales of good current hemp. Along comes the cargo. It is brought in and the hemp is tendered to me for delivery. There may be a little good current in it, and the rest of it may be current. I am tendered that current hemp at an allowance, and there is nothing in the contract to prevent my being forced to take it. Now, I do not want that current; I want good current. I have bought that hemp for certain purposes. Of course we are using both kinds all the time—using mixtures—but for the sake of illustration, I want that hemp for a certain purpose. I have all the current hemp I want; but if I am in a pinch I have to take that current at an allowance.

Again, take the question of sisal hemp. That hemp averages about 350 pounds to the bale. There is nothing in the contract as it has been drawn, that I know of, to prevent their delivering a very heavy bale or a very light bale; and the consequence has been that when the market has advanced and I am getting in a thousand bales of hemp, instead of getting 350,000 pounds, I may get but 300,000 pounds. In other words, they are short bales. Vice versa, when the market is low and I am getting in some hemp on which I am stuck, I am just as apt to get 500,000 pounds as 350,000 pounds. I am speaking now of the legal aspect of the contracts. Things of that kind keep coming up. That is a good example of matters under discussion at these meetings.

Q. These persons that control the hemp market are, I should judge, representatives of foreign houses, so far, at any rate, as the manila hemp is concerned. Is that true of the sisal?—A. I do not know of any syndicate that controls sisal.

Q. Has your association taken up questions of legislation that will be of interest; the tariff, for example?—A. No.

DISTRIBUTION OF MANUFACTURED PRODUCT CHIEFLY THROUGH JOBBERS.

Q. (By Mr. FARQUHAR.) What are your means of distribution? Is it the custom of the trade to have your own agents, or do you sell through the machine men, or how?—A. There are several ways of distributing. Some concerns have their branch houses all over the country The Standard Rope and Twine Company—or rather the Union Selling Company, which is the distributing bureau for the Standard Rope and Twine—has branch houses in several cities of the United States. Then the theoretical way of distributing, and very largely the practical way, is through the jobbers. The manufacturers sell to the jobbers and the jobbers distribute. There is a certain amount of variation, because certain manufacturers will go direct to the small trade; but the method described is in a general way the method of distribution.

Q. Is there usually much difference between your card scale and the selling price to the jobber?—A. A quarter of a cent. For instance, the card price of sisal to-day is 8 cents—carload lots, $7\frac{3}{4}$ cents. That means to the jobber.

Q. Does the jobber take care of all credits, or is it usually cash on sale in your trade?—A. No; it is generally on 60 days' credit. The regular times are 60 days' credit, or $1\frac{1}{2}$ per cent discount for cash in 10 days. The jobbers have the privilege as a general thing of settling either way. The discount of $1\frac{1}{2}$ per cent means 9 per cent a year, and it is a pretty good discount, and the idea is to induce them to take the benefit of that, if they have the money to do it with.

Q. Is the greater part of the trade through jobbers?—A. I should say so, leaving out the question of these branch houses.

Q. Do you think this quarter of a cent would cover bad debts?—A. Well, it is a pretty close shave.

Q. There is no inordinate profit between the jobber or distributer and the manufacturer?—A. No; it is down so fine that, as I said before, so far as the manufacturer is concerned, there has not been a time when there was, nor is there to-day, a margin between the raw material and the manufactured goods. I do not mean any margin, but a profitable margin.

ABSENCE OF LABOR DIFFICULTIES.

Q. (By Mr. JENKS.) Have you known of any labor difficulties between these larger manufacturers and their workingmen?—A. No; I think the labor question has been very quiet. If there have been any difficulties, I have not heard of them.

CHIEF MOTIVES LEADING TO THE FORMATION OF CORDAGE COMBINATIONS.

Q. (By Mr. PHILLIPS.) Were all the efforts that have been made by the cordage companies toward consolidation made for the purpose of preventing competition and getting larger prices for the goods? Has the elimination of competition in the buying and in the selling been the chief object in forming these combines heretofore?—A. That is my understanding of it. Of course, they were formed by men who had certain objects in view. I understand those objects have been to reduce the cost of production, to minimize the competition in the purchase of hemp, to minimize also the cost of distribution, and to make a steadier or more even market—to do away with this active competition among the different mills.

Q. Do you believe in the maxim that competition is the life of trade?—A. Up to a certain point; yes.

Q. (By Mr. FARQUHAR.) Is ruinous competition the life of trade?—A. No; rather its curse.

Q. (By Mr. PHILLIPS.) Can you draw a distinction between a ruinous competition and one that is not?—A. Well, yes; I can. I can imagine it, and I think I have seen it. Take a comparatively new business in which there is very little competition and the profits are enormous. Now, just the minute that competition reaches a point where, as in the rope trade, the capacity for producing goods is anywhere from 30 to 50 per cent more than the consumption, then I say it is disastrous.

Q. Who suffers the most, the community or the men engaged in the particular industry?—A. I should say in that case the men engaged in it first, and the employees next.

EFFECTS OF COMBINATIONS ON THE GENERAL PUBLIC.

Q. But the general public gets goods cheaper when there is active competition than when all the concerns are combined and fix their own price?—A. I do not know about that in the long run. In a very active and very fluctuating market, such as we have had, if the men get the chance they are going to put the screws on; but of course we can all understand that the greater the competition the greater is the desire to sell goods and to lower the price.

Q. When any trade is monopolized, or there is 90 per cent or more in one combine, do you think they fix prices that are moderate and just, or are those controlling the trade disposed to make a large profit off the community?—A. The disposition with many is to make a large profit; but I think in these days, with the experience that many of them have had, the tendency is to make the best goods at the lowest prices and put them on the market at a fair profit, so as to keep the price of the manufactured goods down. That is my idea of combinations.

Q. What do you call a fair profit?—A. That depends, altogether. I would say in general terms, you want to get a fair interest on your plant, on the cost of your plant, to cover depreciation, and on your working capital—everything you have invested; get a fair rate of interest and put aside some surplus.

Q. Would 100 per cent on an investment be a fair profit?—A. I know if I was getting it, I would like to sell out very quick. I would be afraid I would not get it very long.

NEED OF A CLOSER UNION OF CORDAGE MANUFACTURERS—LEGISLATION AGAINST AGREEMENTS UNWISE.

Q. Have you yourself any suggestions to make that we have not covered?—A. I should only like to say this: Speaking of the rope trade to-day—the capacity for production (now I am talking about spindles that are either in active use or lying idle for the time being, and ready to put right into use in 30 to 60 days) is anywhere from 30 to 50 per cent above the consumption of the country—that is running on ordinary time, 10 hours a day, 300 days to the year. Thirty per cent would be a very low estimate in my opinion.

Now, I am very sorry that our association is not on a good deal stronger basis than it is to-day, and for this reason: I believe it would be beneficial all around to everybody. I think that the history of the cordage trade as it stands and as it has been for some time past is such that if any legislation is adopted, inimical to any kind of agreement, it would be very hurtful to us—not only to the manufacturers, but also to the laboring men. You see that just as soon as there is no money in the business there are two results. One is that the manufacturer, by making inferior goods, tries to get even, though it is a false policy to reduce the quality and try to make money that way; the other result is the cutting down of wages, and you know that is the natural result.

(Testimony closed.)

WASHINGTON, D. C., *April 13, 1901.*

TESTIMONY OF MR. JAMES M. WATERBURY,

Former president National Cordage Company, New York City.

The commission met at 10.48 a. m., Vice-Chairman Phillips presiding.

Mr James M. Waterbury, former president of the National Cordage Company, New York, appeared as a witness, and, being duly sworn, testified as follows:

Q. (By Mr. JENKS.) Will you kindly give your full name and address to the stenographer?—A. James M. Waterbury; 69 South street, New York, is my business address.

Q. What is your business?—A. I am president of a company which manufactures rope.

Q. What is the company?—A. Waterbury Rope Company.

EXTENT OF CORDAGE BUSINESS IN UNITED STATES.

Q. Can you give us some idea of the extent of the cordage business in this country; how much, for example, is the entire output?—A. Well, I thought it might be interesting to give you the deliveries of hemp to the manufacturers last year. This shows approximately their consumption. Some might have a larger stock on hand than others, but this table shows the delivery of manila and sisal hemp to each of the manufacturers for the year 1900.

Q. You may perhaps read the sums total.—A. May I give it approximately, because I can't add it instantaneously? Consumption of manila hemp, 295,000 bales; of sisal hemp, about 477,000 bales.

Q. (By Mr. Phillips.) About how many pounds are there in a bale?—A. Manila hemp weighs about 270 pounds per bale; sisal hemp, about 360 pounds per bale.

Q. (By Mr. Jenks.) What products are made from these raw materials?—A. Rope and binder twine.

Q. Can you tell approximately what the proportional value of the binder twine consumed in the country is compared with rope?—A. I should say binder twine—a little more than half of the pounds of fiber consumed, and is made mostly from sisal hemp.

Manufacturers' receipts for the year 1900.

	Manila.	Sisal.
	Bales.	*Bales.*
Standard Rope and Twine Co	62,054	64,435
New Bedford Cordage Co	12,936	6,822
Deering Harvester Co	2,478	74,668
Pennsylvania Cordage Co	5,629	100
D. M. Osborne & Co. and Columbian Cordage Co	7,865	34,418
D. Allen's Sons Rope Co	675	7,036
Hooven & Allison Co	1,268	21,243
Plymouth Cordage Co	79,044	71,697
Bay State Cordage Co	1,940	2,990
B. P. Clark, agent McCormick Harvesting Machine Co	7,322	39,779
Peoria Cordage Co	625	22,448
St. Louis Cordage Co	....	1,500
Travers Bros. Co	250	344
Christopher Bailey	....	300
Ludlow Cordage Co	....	12,537
North Dakota Penitentiary	....	1,800
American Manufacturing Co	15,473	18,314
Kansas State Penitentiary	....	1,000
Edwin H. Fitler Co	60,028	8,887
Tubbs Cordage Co	912	7,466
Aultmann, Miller & Co	....	6,886
J. Rinek's Sons	....	2,012
Miamisburg Twine and Cordage Co	....	4,111
Portland Cordage Co	747	400
Waterbury Rope Co	13,292	16,834
Thomas Jackson & Son	400	801
Lawrence Cordage Works	14,134	12,146
Bradley Cordage Co	130	7,078
R. A. Kelly Co	1,716	6,355
Minnesota State Prison	1,750	15,173
Field Cordage Co	....	3,000
Navy-yard	4,071	....
Galveston Rope Co	....	2,593
Canada, various	5,893	8,176
John Good & Jennings Machine Co	25	60
Junkies and various small buyers	288	1,815
	300,945	485,224

Manila hemp weighs about 270 pounds, sisal hemp weighs about 360 pounds per bale.

THE PRODUCTION OF HEMP.

Q. Where does this sisal hemp come from?—A. It comes exclusively from Yucatan, province of Mexico. There is a sisal hemp in Bahama, but the amount of that which is used is a mere bagatelle—1 per cent.

Q. (By Mr. Phillips.) Is that climate suited for raising sisal?—A. The climate and soil are suited. The soil is a volcanic limestone and very dry, with a subterranean

water supply, and the sisal plant seems to grow only there to make a strong fiber. The maguei, which is grown in Mexico for pulque, the liquor they drink there, is a similar plant, but it does not make a strong fiber and is therefore not used for rope making.

Q. Is the Tampico hemp a sisal?—A. Yes. It has a short, stiff fiber and is generally used for making brushes.

Q. What are the characteristics of the New Zealand hemp?—A. The New Zealand hemp is weaker than sisal.

Q. (By Mr. JENKS.) Is that used in this country at all?—A. Yes; a few thousand bales are used in this country. That is largely used for cheap articles.

Q. And the manila hemp comes entirely from the Philippines?—A. Yes. That plant is similar to the banana plant, except that it bears no fruit. I have heard it called the male banana.

Q. Can that be grown anywhere else?—A. They have never succeeded in growing it anywhere else except in the Philippine Islands. Whether it can be grown elsewhere I can not say.

CHIEF USES OF THE CORDAGE.

Q. For what purpose is cordage mainly used in this country?—A. The manila cordage is mainly used for ships' rigging, and for any purpose where they need a flexible rope that will stand the weather. The sisal cordage is not suitable for ships' rigging because it mildews, and it is only used for inland purposes and not on ships at all. Manila rope can lie under water and still keep its strength a long time. It does not mildew. It is supposed that the fibers of manila are covered with a sort of silica that preserves it from the water.

Q. You spoke of manila rope being used chiefly for rigging of ships. What other prominent uses has manila?—A. Part of it is used for binder twine.

Q. (By Mr. PHILLIPS.) How about the drilling of oil?—A. It is used there mostly.

Q. Is that the second largest use?—A. I think it is.

Q. (By Mr. JENKS.) About what proportion does shipping take, do you suppose, in the general market?—A. I suppose three-fourths.

LOCATION OF FACTORIES—RELATION TO SAVINGS IN FREIGHT.

Q. So that as far as manila rope is concerned it is advantageous to have these factories situated either near the seacoast or on the lakes?—A. Yes. The hemp industry is important. All hemp comes to New York. Some from Yucatan is coming via Mobile. It is natural for factories to be situated on the water front.

Q. And yet there are some factories in the interior?—A. That is because the importation of sisal via Mobile gives them a slight advantage in freight.

Q. In the manufacture of this product from raw material is there much waste, so that there is any material difference between the freight charge for raw material and for the finished product?—A. Well, the actual waste in manila hemp is about 3 per cent. The waste in sisal hemp, which has been running dirtier than usual the last few years, is about 7 per cent.

Q. Are the rates on cordage materially higher than they are on hemp?—A. I believe that cordage goes at a higher class than hemp.

IMPORTATION AND EXPORTATION OF CORDAGE.

Q. Is there any importation of rope from abroad?—A. No; nothing to speak of. There may be little lots occasionally from Mexico.

Q. Why are there no importations?—A. Because there is a duty on rope.

Q. Do we export any cordage?—A. Yes; quite a large amount, principally to South America.

Q. Do we send any to Europe?—A. A very small proportion goes to Europe. I think some goes to South Africa.

REPORTED CORNER IN HEMP.

Q. (By Mr. FARQUHAR.) Has the supply of hemp been cornered lately in the London market?—A. Well, it is merely rumor that a Manila syndicate controls the price and the supply of manila hemp. One of the merchants in London who was reported to be their agent wrote me lately that there was no truth in that. He said that the Manila people were working more or less together, but there was no actual syndicate controlling the supply, however the manufacturers as a rule think that there may be. As a rule manila hemp has been higher for the last 3 or 4 or 6 months than

is necessary under the supply, and it looks very much as though it was controlled by a syndicate. That is the general impression.

Q. Is there any similar situation with reference to sisal?—A. No; the sisal is held very largely by planters, and on account of the war with Spain the price of sisal went up with manila, and the planters of Mexico made a good deal of money. They are so strong financially that they are able to hold the hemp and not sell it unless they get good prices.

HOW THE MANUFACTURERS OBTAIN THE RAW MATERIAL.

Q. Do any rope manufacturers in this country have any special interest in the raising of the raw material?—A. None whatsoever that I know of.

Q. They simply buy from importers here?—A. They buy from importers here, although McCormick and some of the Boston men buy through Peabody & Co., who have their own agent in Yucatan, and are supposed to have a very close alliance——

Q. (By Mr. JENKS.) Do any of them have special purchasing agents in Manila?—A. They have not, that I know of, except the importing houses.

FORMATION OF POOLS—THEIR CHARACTERISTICS.

Q. So far as you are aware, was there any union of interests more or less close among the cordage manufacturers before the organization of the National Cordage Company?—A. Yes; at various times there very often had been; they had pools.[1]

Q. Will you describe in a word or two the nature of those organizations?—A. Well, all manufacturers would meet and agree to divide the business of the country upon certain percentages, and when they had agreed on the percentages the rule was that each manufacturer should make his returns monthly to a supervisor, and if his business ran beyond his percentage he paid in to the supervisor so much per pound on the excess beyond his percentage; and then those that went below that percentage drew out from the supervisor an amount as much per pound as they went below their percentage. The supervisor acted as a clearing house for the manufacturers.

Q. Were there several such pools at different times?—A. There have been several such pools.

Q. Were you ever in any of those pools?—A. Yes; I was a member of some of the later ones. I think they ran all the way from 1860; I have heard so.

Q. Did any of them last long?—A. I think they lasted about three years, and they were broken up by other new competition starting, or by some men not being willing to act up to the agreement. Of course there was no legal way of holding a man to his agreement. We had no written agreement.

Q. Simply a verbal understanding?—A. Yes; an understanding.

Q. Could you have had any written agreement?—A. I do not think we could.

Q. How general were these pools? What proportion of the cordage manufacturers did they include?—A. I think they included them all in those times. There were not many manufacturers then; 10 or 15, something like that.

POOLS SUGGEST CLOSER UNION OF CORDAGE MANUFACTURERS.

Q. Did the failure of these pools to hold the members closely together have anything to do with the organization of the National Cordage Company?—A. Well, I believe it did. Of course, what went through my mind 12 years ago I can not tell, but I know the pool made the business profitable, and induced me, for one, to favor a closer alliance with the manufacturers.

Q. These pools had been running continually for a few years before that?—A. Yes; breaking up and fighting, and then getting together again.

NATIONAL CORDAGE COMPANY FIRST ORGANIZED AS A TRUST.

Q. Was there any consideration of organizing into a trust, in the form of the earlier sugar trust and standard oil trust, and so on?—A. You mean in these pools?

Q. I mean, as these pools failed and there was a thought of organizing more firmly in the cordage industry, was the plan to take the trust form?—A. At first the cordage company took the trust form and issued trust receipts to the members, but I think we were advised that that was of doubtful legality, and certain laws were being passed in regard to trusts, and they were changed into corporations.

Q. Did you issue trust certificates?—A. They issued trust certificates. I do not think it was actually declared illegal, but it was becoming unpopular, so we were

[1] See pp. 137, 138, 147

obliged to change the form of organization. I think the only object of the trust was to make less taxation on capitalization under the State laws.

Q. Was the trust firmer in its nature and form of organization than the pool?—A. Yes; at first that only included a few concerns. That was the beginning of the National Cordage Company, which started with only 4 concerns.

REASONS FOR FORMING NATIONAL CORDAGE COMPANY.

Q. What were the other reasons that you had for bringing together the National Cordage Company, besides the lack of stability of the pools?—A. Well, the object of bringing it together was to economize in the distribution of products, which we thought could be accomplished, and also to try and steady the hemp market by eliminating a number of buyers of the product; and also to have a more stable and steady market for the manufactured goods.

Q. Was it expected that the National Cordage Company would probably be able to get entire control of the industry, as the pools had done?—A. I do not know as they ever thought they could do that, but they thought they could get a large majority of the industry together.

ORGANIZATION OF NATIONAL CORDAGE COMPANY—STARTS WITH FOUR CONCERNS.

Q. Perhaps you will, without specific questioning, tell us the way in which you went to work to organize the National Cordage Company, the general method of financiering, and the capitalization?—A. Well, when we started in the first place we did not ask any outside aid. We started with 4 concerns.

Q. Will you tell which ones they were?—A. Yes; the Henry Wall's Sons, the Tucker & Carter Cordage Company, the Elizabethport Cordage Company, and L. Waterbury & Co.

Q. What proportion of the trade did these four companies control at that time?—A. Well, they were considered the Big Four New York manufacturers. I can not remember the proportion at all.

Q. They had a good part of the trade?—A. They were all big concerns and had a good part of the trade. L. Waterbury & Co. was the largest concern in the country at that time, and had the largest percentage in the pools.

Q. Do you recall the percentage?—A. No; I can not remember.

Q. Do you suppose these 4 companies had 25 per cent of the product of the country?—A. I should think they must have had 40 or 50 per cent.

PLAN OF ORGANIZATION AND OPERATION OF NATIONAL CORDAGE COMPANY.

Q. Now, if you will go on?—A. Well, it was originally organized with these 4 concerns, and they paid in a cash capital of one and a half million dollars, and the plan of organization was this: Instead of actually buying out all the different concerns so as to eliminate their interests from the business, we adopted a plan of having each concern stay in business and bid each year for the amount of stuff that it would make, and the price at which it would make it for the National Cordage Company. The idea was that if we bought out all concerns, their interests would be eliminated and it would be much more difficult to run these concerns profitably and economically than if we kept every manufacturer in the business. So every manufacturer was under contract to bid each year the amount of stuff he could make, and the contract would go to the lowest bidders, and consequently any man who did not bid had to shut up his factory at his own expense, and that was not very economical. Each manufacturer would have to manufacture at a low price, or it would cost him money to keep his factory closed each year. I think some were willing to bid below cost of making in order to keep their factories going, and at the same time use their best endeavors to reduce the cost of making rather than close their factories down. When the stock was eventually listed on the Stock Exchange, the application was only made to list the preferred stock, and when I explained that system to the Stock Exchange committee, they said it was a novel idea, and they asked me to list the whole thing at once. So the common stock was listed at the request of the Stock Exchange committee at that time, because they thought we had a pretty sound scheme of consolidation.

BUYING OF MATERIAL AND SELLING OF PRODUCT—HOW REGULATED.

Q. The several companies manufactured for the National Cordage Company, and the National Cordage Company was expected to be the general selling agent for them all?—A. Yes; that was the theory at the beginning.

Q. (By Mr. PHILLIPS.) And the individual companies lost if they shut down their works?—A. Yes; if they shut down their works they had to pay the expense of keeping them closed that year.

Q. Not out of the general funds, was it?—A. Out of their own pockets.

Q. (By Mr. FARQUHAR.) How did you regulate the buying system then?—A. The National Cordage Company bought all the fiber and distributed it to the different companies, who manufactured for them under contract conditions.

MANNER IN WHICH PROFITS WERE DISTRIBUTED.

Q. (By Mr. LITCHMAN.) How was the distribution of profits made?—A. Oh, by the stock holdings in the National Cordage Company.

Q. That was based somewhat on the value of each individual plant?—A. Yes; and this was a matter of negotiation. When the company was first started there were disputes, and they were settled by negotiation.

Q. Then if a plant shut down and did no work, against the loss by reason of non-employment was the offset of return on other properties?—A. But it is very hard to shut a factory down and start up in a year, for you lose all your good men, and you have a variety of expenses while shut down.

NUMBER OF EMPLOYEES OF NATIONAL CORDAGE COMPANY—PIECE AND DAY LABOR.

Q. About how many men were employed in your factory—about how many employees were there in the four concerns forming that combination?—A. I suppose about 3,000.

Q. How are laborers employed, by the piece or by the day?—A. The spinning of yarn is piecework. Nearly everything else is day work.

Q. Did they pay good wages compared with other labor?—A. I think that the cordage hands have always been paid very well in this country; yes.

Q. (By Mr. JENKS.) About what is the daily wage for each hand in spinning?—A. Well, the girls that spin get about $6 a week, according to their skill, some of them getting a little higher. The ordinary laborers get $1.50 a day, and skilled labor gets various prices.

Q. About what proportion of the cost of manufacture is considered to be wages?—A. The wages are fully half.

ORGANIZATION OF COMPANY (CONTINUED)—OTHER CONCERNS TAKEN IN.

Q. Well, now, if you will continue further. You had told us of the form of organization, so far as bidding of the manufacturers is concerned, and the fact that you had the stock listed on the stock exchange.—A. It was not listed at that time; it was listed later; and then we went to work to get in more concerns, because we were intending to do that. We intended to take in quite a number, and I suppose we had at last some 15 concerns, although there were some big concerns outside which we never could get in.

CONCERNS INSIDE AND OUTSIDE OF NATIONAL CORDAGE COMPANY.

Q. What were the leading concerns outside?—A. Well, the Plymouth Cordage Company, of Plymouth, Mass.; the E. H. Fitler Company, Philadelphia, and the Pearson Cordage Company, of Boston, which was owned by the McCormick Harvesting Machine Company. Those were the principal ones outside.

Q. Was the John Good Company in?—A. No; it was not. It was of small account at that time.

Q. You spoke of attempting to get these in, and of getting in a number. You had something like 15, you say?—A. That is my general recollection.

Q. Can you tell about what proportion of the output that made?—A. Well, I think that must have given us 60 to 70 per cent of the output.

LIMITED SUPPLY OF RAW MATERIAL PREVENTED A SAVING IN PURCHASE OF SAME.

Q. Was that enough so that you were able to make material economies in the purchase of your raw material?—A. Well, this is rather interesting, I think. It developed a very strange trade condition. The supply of the raw material in our industry is limited—there is just so much of it. We figured that we had an immense capacity, as we had. None of the factories had run full force. Our idea was to run full and buy our raw material and make goods cheap and do business on an economical basis,

so our first move was to get raw material—we had to have raw material. In attempting to get the raw material, naturally the Plymouth and Fitler companies also wanted to get it, and consequently that ran the raw material up, and that would not work. The raw material was limited; it is not like cotton. That was the difficulty we struck at the very beginning. We could not run our mills full on account of the competition of the mills outside insisting on running their mills, too, and the desire to make low prices in manufactured goods was of no benefit to anybody, on account of the above condition.

BASIS OF CAPITALIZATION WAS EARNING POWER OF THE PLANTS.

Q. In taking into the National Cordage Company those concerns that you bought and in floating your company, what basis of capitalization did you have?—A. We adopted as the basis of capitalization the earning powers of these different companies.

Q. How was that fixed?—A. Well, we knew what they earned in the past.

Q. They simply turned in their books?—A. Well, we knew by their statements. Every concern that came in had been making a profit for a great many years; we were all practical cordage men, and all had made fortunes in the business practically many years before—we and our predecessors in the same concerns.

Q. So you had your annual statements of your profits, and on that basis you made your capitalization?—A. Yes.

Q. For how many years previous did you take this particular estimate?—A. I forget whether it was three or five years—something of that sort.

Q. And you capitalized on what percentage?—A. We estimated the value of the plant, cash capital, and the rest of it was made up of the earning power. I forget now whether that shows in the minutes of the organization. It is so long ago that I do not know.

Q. Have you possession of the minutes?—A. No; all papers and minutes were turned over to the receivers of the company. I have never seen them since.

Q. Do you recall the basis of earnings on which you made this capitalization—6 per cent, 7 per cent, 5 per cent?—A. I think it was a 10 per cent basis.

Q. A 10 per cent basis?—A. Yes; that seemed to us the natural basis for this reason: About that time a good many organizations came out, and English concerns bought out American concerns. Some English concerns came to us and said they would buy us out at ten times our average profit for the previous 3 years if we would continue to run the business 5 years under a salary. It shows that that was about the financial basis of capitalization at that time.

Q. You were not willing to sell?—A. No; we refused it.

Q. You had been making more than that?—A. They were willing to pay us ten times.

Q. You had been making more than that?—A. We preferred to be independent at the time; we did not care to sell out.

DIVISION OF CAPITAL—AMOUNT OF COMMON AND PREFERRED STOCK.

Q. How was your capital divided?—A. At that time, $10,000,000 common and $5,000,000 preferred stock.

Q. No bonds?—A. No bonds.

Q. Was there in this division between preferred stock and common stock any attempt to distinguish the different kinds of property, tangible assets, good will, and so on, of the business?—A. I do not quite understand what you mean.

Q. You said you had capitalized on the basis of your earning capacity. Assuming a 10 per cent basis, was the preferred stock and the common stock supposed to be issued on equal terms?—A. We capitalized on three things—cash capital, the value of the plants, and the earning power—and those three things made up the capitalization. Now, the preferred stock, of course, had a first lien on our assets, and that would take the cash capital and the plants first, and the common stock would take part of it, and the earning power would be the rest of it.

WHAT PER CENT OF STOCK REPRESENTED TANGIBLE ASSETS.

Q. Did you consider that your tangible assets—that is, the plants themselves, which were cash capital—amounted to more than $5,000,000?—A. Well, let me see—I really can't remember, but I know we had values put on them, and whether it will show in the first item I do not know; it was 12 years ago. I think there must have been some good will in there, too.

Q. So that the $10,000,000 of common stock would then be all good will; perhaps part of the preferred stock also?—A. I think that is very likely, on the actual cash value, but if you go to a man to buy his plants out it is a question what you mean by value and what he wants to sell for with him, and it is a question what that is in that valuation; the common stock——

Q. (Interrupting.) On the basis of the earnings of these separate plants before the organization, would it have been possible to pay 10 per cent on your $15,000,000 of capitalization, preferred and common stock, both?—A. Yes; I believe so.

Q. On the basis of the actual earnings before the organization?—A. I believe so; yes. Certainly in good years it would.

QUESTION OF INFLATION—DISPROPORTION OF COMMON AND PREFERRED STOCK.

Q. (By Mr. FARQUHAR.) Was there any attempt at inflation at all in the issue of your stock?—A. Well, it was issued for good will—a large amount of it—like all industrial organizations.

Q. You had, outside of orders of the separate concerns, the profits of ten years—equal to more than the preferred and common which was covered?—A. Yes; but if you take the actual tangible value of the plants the amount of stock more than covered it. It is good will and earning power that makes stock at higher figure.

Q. The question I think Mr. Jenks wants to get at is the disproportion of the preferred, which represents tangibilities, to your $10,000,000 of common stock representing good will.—A. I will tell you why it is hard for me to remember. The preferred stock was not issued at the beginning, and at the time it was issued we had come into possession of a great many more plants, and what the actual tangible value of the assets were I don't remember. My impression was when you first asked me that the $5,000,000 did not even cover the tangible assets.

TAKING IN OF OTHER PLANTS—HOW THEY WERE PAID FOR.

Q. Was this $15,000,000 of capital issued on the basis simply of the four plants that went in first?—A. Yes; but it was understood that they would use their capital stock to get in other plants. That was a private understanding, and our capital stock was not increased for a long time, although we took in a great many more plants.

Q. From time to time, as you took in other plants, you sold more capital stock?—A. No; we made a syndicate and pooled it. That was an agreement between the stockholders.

Q. In the buying of these various plants did you ordinarily pay in this stock?—A. Yes; we paid some stock and some cash and sometimes took the plants subject to mortgage—bought in all kinds of ways. We had a great many negotiations, lasting over a good while.

Q. (By Mr. JENKS.) Suppose you explain a little further the typical way, if I may so call it, of taking in some of the plants on mortgage.—A. Well, for instance, a plant was willing to sell out for $500,000, and they were willing to take $250,000 in stock and $150,000 in cash, leaving the balance a mortgage on the plant.

Q. Didn't put a mortgage on the whole property?—A. No; just on that specific plant.

Q. (By Mr. FARQUHAR.) On the difference left in a division of that kind, do you make a debenture of $100,000, for instance?—A. No; the mortgage will just be a mortgage on that plant like any concern buying a piece of property subject to mortgage.

Q. Did it have priority of lien over other claims?—A. On that one plant; only on that one specific plant.

COMPANY MADE HANDSOME PROFITS—CAUSES OF ITS FAILURE.[1]

Q. You had anticipated that through the economies of the combination you would make higher earnings than before?—A. We hoped so; yes.

Q. Now, you have given the reason why you were not able to get additional profits in the purchase of your raw material. Can you tell any other particulars in which your calculations fell short?—A. No. We were able when we got a number of plants to make a very handsome profit, and the whole history of the thing, as I remember, was this: We did get along, making a handsome profit. It did not result to the benefit of the consumer because it raised the price of hemp, and toward the end the reason the National Cordage Company failed was that it did not have enough capital to carry on its business. Binder twine is a one-season business; it is all used in the summer.

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[1] See pp. 118, 155.

You have got to begin in August and September for the next year; so in the spring of 1893 we had on hand, I think, some 25,000 tons of binder twine, worth five or six millions of dollars, made out of hemp at a fairly good high price, and consequently of good value. We borrowed money against that; we had unlimited credit; my concern alone always had unlimited credit, and we were able to borrow all the money we wanted, and we did not think we would ever be placed in a position where we could not get all the money we wanted. But early in the spring of 1893, the Reading Railroad failure—that was the first shock that hurt us; the bankers were afraid and were becoming disturbed and were worrying about the silver question, just then beginning to agitate them. I know we did not realize how disturbed the bankers were, but they notified us two months before we failed that they would not be able to loan us so much money. Then we determined we had better issue some more preferred stock. The preferred stock, I think, was selling at about 110, and we thought we had better issue more preferred stock to increase the working capital and to make ourselves independent of the bankers. It was that increasing of the preferred stock which was noticed. It got out on the market and that caused a panic in our stock, and that caused all our creditors to jump on us. The bankers had liens against the twine and wanted their pay, and with us the only safeguard was to have a receiver, otherwise some people would have received a preference; but the failure was entirely due to the inability to get credit, which had never been curtailed before in our history, and the uneasiness due to the general distrust in regard to the silver question and the failure of the Reading Railroad Company.

DIVIDENDS PAID ON THE STOCK.

Q. You said you were making handsome profits—how much?—A. I forget the regular published record of the dividends paid. We had to make an affidavit that all our dividend money deposited——

Q. (Interrupting.) You, of course, had been paying full dividends on your preferred stock. Do you recall the profits you paid on the common stock?—A. I think it was 6 per cent.

Q. And you paid as much as that from the beginning?—A. Yes; we paid 12 per cent on $10,000,000, and I did not tell you that later, some years afterwards, we increased the common stock to $20,000,000, and then we paid 6 per cent on that.

AMOUNT OF STOCK—WHAT PROPORTION REPRESENTED TANGIBLE ASSETS.

Q. When you had increased your common stock to $20,000,000 did your preferred still remain at $5,000,000 until this last issue of 1893?—A. That never took place. It always remained at $5,000,000.

Q. You perhaps have already said that even after you had taken in those 15 plants—say you had as many as 15 plants—that the probability is that the actual selling value—the tangible assets—of those plants was not above the $5,000,000?—A. I say it would be above when all were taken in. The reason I was mixed up before is that I was thinking of the 4 original plants for which preferred stock was issued. I think the tangible assets were much more than $5,000,000.

Q. Do you recall about where the tangible assets went?—A. No; I can not remember.

Q. As high as $10,000,000, you suppose?—A. I think more, likely. I can not remember. This was 12 years ago, and I have not seen the books since.

EFFORT TO CONTROL THE RAW MATERIAL—DISCRIMINATING CONTRACT.

A. (Continuing.) It might be interesting, if it would not tire you, to tell you of some of the efforts which were made in the hemp market to control the hemp situation. There were 5 houses dealing in manila hemp in Manila. They were Kerr & Co., Smith-Bell, Stevenson, McLeod, and Warner, Barnes & Co. We sent an agent to Manila (we were very large buyers of hemp) to make an agreement with those houses that they would sell us exclusively in this country their manila hemp.

Q. About what date was this?—A. That contract was drawn in London and it was a very elaborate affair, and these 5 English houses also agreed in it that they would not sell any house in England manila hemp unless that house in turn agreed that they would not sell to anyone in this country except at an advance of over half a cent a pound above the price we were paying.

Q. That was the effort you were making to shut out these outside concerns?—A. To get an advantage over our competitors.

Q. About what time was that?—A. I do not know. Those contracts are in the receivers' hands.

Q. (By Mr. Phillips.) This was an effort to control the raw material?—A. To get an advantage over our competitors of half a cent a pound.

Q. Were there any houses left in Manila who could be competitors?—A. No; we had them all.

Q. How did your competitors secure their hemp?—A. For a number of months they paid half a cent a pound more than we did for our hemp, but it finally resulted in some English houses in England buying hemp and defying the agreement and selling them, after having taken legal advice that the contract would not hold in the English courts. It was an interesting attempt, that was all.

DISCRIMINATING CONTRACT MADE WITH RESPECT TO MACHINERY AND REPAIRS.

Q. (By Mr. Jenks.) Which worked about six months?—A. Yes; and finally fell through because the people would not live up to it. We also had an agreement with John Good and other manufacturers of machinery not to sell machinery or repairs to any concern but ours.

Q. How long did that hold?—A. Well, competition killed that. A new concern started up.

Q. Did John Good have patents covering his special machinery?—A. Well, the only patent he ever had was on a machine called the "breaker," and that, I think, ran out at that time, and we afterwards found out that the patent was probably not good anyhow.

Q. Did that give you an advantage for a period of some months, or a year or so?—A. Well, we thought that would stop the establishment of new factories. It did not affect the ones in existence. The National Cordage Company was advertised, so that that did really in the end a good deal of damage, because factories started all over the country, making severe competition.

AMOUNT OF CAPITAL REQUIRED TO START A CORDAGE MANUFACTORY.

Q. About how much capital does it take to start a good cordage manufactory?—A.—It takes only a small capital; it depends. I should say with $100,000, leaving out the working capital, you can start a nice factory.

Q. How much more would it take with working capital?—A. As much again.

Q. $200,000 or $250,000 would start a well-equipped factory?—A. A well-equipped factory; not as large as the big ones, and therefore not quite as economical, but a good factory. It is very easy to start in the cordage business.

WHAT SAVINGS THE COMBINATION WAS EXPECTED TO MAKE.

Q. Now, to come back to the question as to the other savings that were made by your combination. Besides these two attempts you have explained, which failed to corner either the raw-material market or the market for machines, what other savings were you able to make?—A. We did not attempt ever to corner the raw-material market.

Q. These special contracts?—A. They were discriminating contracts, under which we had half a cent advantage, but no corner. A corner is when the other fellow can not get any at all.

Q. What other special advantages did you expect to get, or did you get, from your combination?—A. Well, of course, making the bulk of the twine and rope that was used, we steadied the market price, and could steady it at a profitable price.

Q. In steadying it at a profitable price, did you find your competitors cutting under to take your trade?—A. Yes.

CONCERNS OUTSIDE THE COMBINATION HAVE THE ADVANTAGE.

Q. Or were they willing to follow you?—A. I think we were a great advantage to our competitors; so much so that I would rather have been on the outside than in the combination.

Q. You think those outside have an advantage?—A. Have an advantage in nearly every combination. The only combinations in my mind that are bound to succeed are those which are of real benefit to the people. In other words, those that introduce economies and are able to maintain them so that the people get cheap goods and the outsider can not compete with them. Those are a benefit to the country, and those are the combinations that are controlled to advantage. Those that put the price where it will encourage competition are bound to go to pieces.

Q. You don't think, then, that the cordage industry is one in which there can be any special economies made?—A. I do not think so to any large extent. I think a large mill properly run is better than any combination of mills. That is my present opinion.

Q. (By Mr. LITCHMAN.) What effect would it have if the combination controlled patents?—A. That would be a splendid thing for the combination; but there are no patents in our business. There is nothing to give us a hold on the business at all except the control of the raw material, and that does not seem practical either.

Q. Your opinion would be modified then if the combination had the control of patents and trade-marks at an extreme value?—A. Then it would be very valuable.

LARGE SINGLE MANUFACTURERS HAVE ADVANTAGE OVER COMBINATIONS IN CERTAIN CASES.

Q. (By Mr. JENKS.) You said that you thought a large single manufacturer would have an advantage over a large combination of companies?—A. I think when one group of men are devoting their energies to running one mill and distributing their goods, they do it cheaper and better than they do when they are looking after a group of mills.

Q. You do not think it possible, through a system of comparative bookkeeping, to keep up the interest in the establishments?—A. I never found it was of the same advantage as looking after my own mill.

Q. (By Mr. PHILLIPS.) Do you think that would obtain largely with all these combinations and trusts?—A. I think not. As the gentleman just said, many of the combinations have trade-marks and patents.

Q. Where there are no patents and trade-marks, do you think the combination can do it as economically as the owners of a large-sized plant?—A. Of course, that is a very large question which is disputed at present; but my personal opinion is that I would rather be the head of a very large plant or a plant that does not control patents and trade-marks, and that I can run it better than I could a combination of mills.

Q. Did you make contracts with jobbers and retail dealers not to sell below a certain price?—A. No; we never had contracts; we never attempted that.

SUCCESS OF COMBINATION DEPENDS LARGELY ON EXECUTIVE ABILITY.

Q. (By Mr. JENKS.) You said awhile ago that you would prefer to be an outsider except where special economies could be made by the combination, and you have now also excepted a business that controls patents and trade-marks. Do you think there are any other industries besides those that control patents and trade-marks that can make any special savings or economies through combinations?—A. It is largely a question of wonderful executive ability.

Q. Just as in the individual case?—A. Yes; here is a man of great executive ability. He can run one plant and make a success of it, or he may be able to run a combination successfully. Other people might try to get a number of plants going, get them together, and make a failure of it. It depends on executive ability. To run a number of plants together is very difficult, and takes a high order of intellect to do successfully.

NATURE OF BUSINESS AFFECTS SUCCESS OF COMBINATION.

Q. You do not think there is enough difference in the nature of the special business to be of importance? Let me illustrate. We had Mr. White before us the other day, the president of the National Salt Company. He called attention to the fact that in the salt industry the freight charges were a very material part of the cost of putting the salt into the hands of the consumer, and he thought that in that industry the saving of cross freights was a very material saving that could not be made without a combination that brought together a good many different plants. I simply cite that as one illustration of an industry that he thought, at any rate, had a means of saving that perhaps would overcome this personal element.—A. Of course, that is a matter that I have discussed a great deal. In talking with Mr. Flint, who is a great combination man now-a-days, he was talking about the cast-pipe industry, and he said the only thing that gave them an advantage was that by having a pipe plant here and there he could supply a pipe at the lowest possible cost, and a competitor starting up here could not reach that point there. It is entirely a trade matter, but most combinations are not satisfied with the freight advantage.

Q. You think there are exceptions, then?—A. Oh, there are undoubtedly exceptions; each case would have to be considered separately, I suppose.

WHY ASSETS OF NATIONAL CORDAGE COMPANY DID NOT COVER LIABILITIES.

Q. You said that owing to the credit situation in 1893 your organization went into the hands of a receiver. Did your assets prove enough to pay creditors?—A. No, and I will tell you why. The panic caused in the hemp and binder twine market by the failure was so great that binder twine which was worth and would have been sold for $6,000,000 sold for about $2,500,000. The shrinkage came entirely from the panic caused by the failure in the hemp and binder twine markets. [Producing paper.] Here is a hemp chart that I thought would be interesting to you, showing the fluctuations in manila hemp for the years from 1870 to 1900. The middle price is about 6 cents. It runs quite evenly for a time. When the National Cordage Company failed, it went down and stood very low. The price fell to the lowest ever known for manila hemp, 3 cents to 3⅝. During the Spanish war the hemp, of course, went up, and when the war was successful it went down again. And then the Manila ports were closed, and it ran up to about 14 cents a pound from 3½.

Q. (By Mr. LITCHMAN.) And it is now at what?—A. Now, it is 8 cents.

Q. You will put that chart in as one of your exhibits, will you?—A. Yes. That is the price of hemp.

Q. (By Mr. JENKS.) Your chart gives also the jute market. Does your house have anything to do with jute?—A. No.

REASON FOR FAILURE OF NATIONAL COMPANY AND SHRINKAGE OF ITS ASSETS.

Q. So that you would say that the failure of the National Cordage Company was due in the first place to a shrinkage of credits from outside reasons?—A. I consider it was entirely due to that.

Q. And then the failure of the assets to cover the indebtedness was due to the panic caused by the company's failure?—A. To the panic caused by its failure and the general depression that ensued from that. Why some of the twine that would have been sold at 10 cents a pound did not realize 3 cents. It does not seem possible that there could be such a shrinkage.

Q. Do you recall about what the payment was?—A. No, I do not. The reorganization committee had charge of that. Some people were secured and others were not, and there were different kinds of settlement.

REORGANIZATION—THE UNITED STATES CORDAGE COMPANY.

Q. Will you briefly outline the reorganization of the National Cordage Company into the United States Company?—A. That I had nothing to do with. The old directors resigned and the board was reorganized with a bankers' board of directors, and I have never had a word to say about the United States Cordage Company or the Standard Rope and Twine Company.

Q. About what percentage of the plants of the old company remained in the United States Company?—A. Well, they all remained in; but some were sold out afterwards. The Standard Rope and Twine Company still holds some, and is still offering plants for sale; can not run them successfully.

Q. You say the United States Cordage Company sold some of their plants off pretty soon. Do you know whether they closed down any of them?—A. I think they did, oh yes; and the same way with the Standard Rope and Twine Company. That is only running two plants, I think, now.

Q. Out of about how many?—A. Well, I do not know how many they have sold. This is hearsay that I have been testifying from. They must have seven or eight plants, but I think they are only running two.

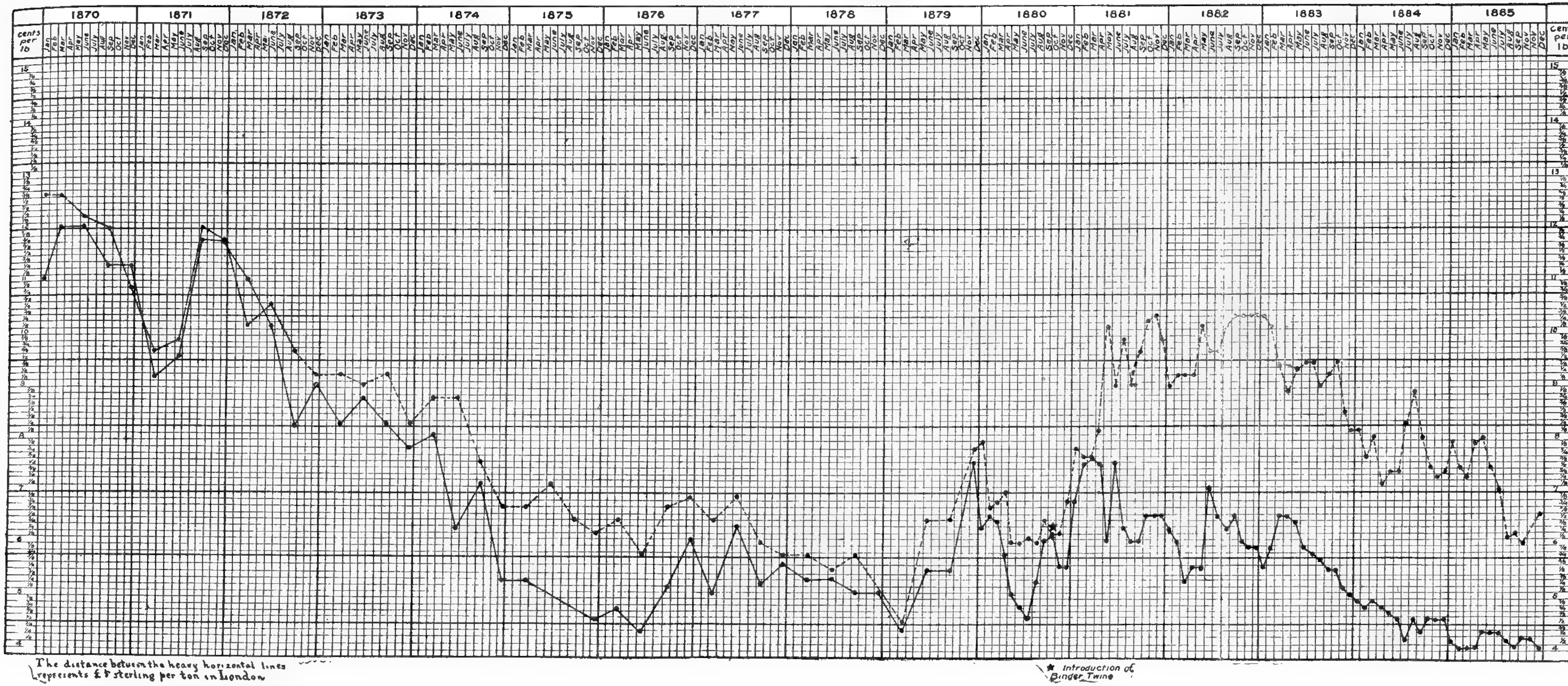
NATIONAL CORDAGE COMPANY TOOK IN ONLY GOOD PLANTS.

Q. We will go back for a moment to the management of the National Cordage Company. Did I understand you to say that when that was organized you took in none excepting good plants that had been making profits?—A. That was certainly so.

Q. As you bought up plants from time to time did you follow the same principle of taking in good plants?—A. I can not remember the exact plants we took in, but we only took in plants that were competing with us, and we eliminated that much competition with us by taking them in.

Q. Well, you took in plants only that were competing with you; did you take in some that were not making money?—A. I think they were all making money. I do not remember now. If you will tell me any specific case or plant you are thinking of, perhaps I can tell.

PRICES OF MANILA AND SISAL HEMP -- NEW YORK



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Q. What I ask is this: The statement is frequently made that the most dangerous competitors are those concerns which are on the verge of bankruptcy and are not making money. I wanted to know if that was your experience?—A. No, I do not think that was the case with us. You see the formation of the National Cordage Company and our holding a fair margin of profit enabled them all to make money, and I think they were all making money. Of course, a bankrupt plant that comes in as a new competitor is a dangerous competitor, but that did not occur so far as I can remember. I think they were all going concerns and making money. I think you will find that the Plymouth Cordage Company and the Fitler Cordage Company and all those big concerns made handsome profits during the time of the National Cordage Company.

NO CHANGE MADE IN WAGES—DURATION OF NATIONAL COMPANY—SALARIES.

Q. Did you make any change in the wages of your employees?—A. No; not the slightest.

Q. How long was the National Cordage Company in existence?—A. I think it was from 1887 to 1893.

Q. Was there in the management of the National Cordage Company any material increase in the salaries of the superintendents and officers over what they had been receiving before in the separate plants?—A. No; the reason why there was not was because each director had to look after the manufacture in his own plant; it was to his interest to keep the same persons. I may add that the officers of the National never received any salary.

Q. Was that generally true?—A. They were large stockholders, but they never received any salary. That was the principal officers. Of course, the clerks did. But I never received any salary. I ruined myself in trying to support the stock of the National Cordage Company, as has been proved by testimony on record in New York. I bought over $1,000,000 worth of stock to try and support it when the panic ensued—to try and support our preferred stock; and that is what ruined me.

Q. Was that true of all the officers?—A. I think it was. It broke nearly every one of them. They were all standing behind the stock, my partner, Mr. Marshall, and Mr. Wall, and they all lost heavily. We thought we could pull it through; we did not know there was going to be such an immense collapse of values. It is easy enough to make money in the cordage business now. I am making money in my little concern.

NO ADVANTAGE FROM COMBINATION IN CORDAGE BUSINESS.

Q. But you thought you could carry it through at that time and the National Cordage Company could sell out its stocks? So that the general result of your experience is still that there is no material saving from a combination in that field?—A. No; that has often been discussed since then. I do not believe the cordage business can be consolidated successfully; I mean there will be no advantage in it.

THE UNITED STATES CORDAGE ASSOCIATION—ITS OBJECTS.

Q. Will you just speak for a moment with reference to the present United States Cordage Association?[1]—A. Yes; that is an association of not all, but of a majority of the manufacturers, and they meet to discuss the hemp situation and prices and different abuses that occur in the trade, such as too much time, too large discounts for cash; and the last meeting was principally about a uniform hemp contract. The manufacturers have all been accepting any kind of a contract from the dealers, and some of these contracts have been and are very unfair; and some time ago we appointed a committee to get up a uniform form of hemp contract to make between the dealers and the association, and that was what the association had under advisement at the last meeting.

Q. Do those contracts affect the question of the weight per bale?—A. The sisal-hemp contract was the one I was just working on the other day. We want to make a uniform bale, or at least a tonnage contract. We have sometimes been discriminated against very greatly. For instance, an importer would sell us 1,000 bales of sisal hemp. If the market went up the bales would be light, and if the market went down the bales would be heavy. Now we want to make a contract so that the bales shall average 360 pounds apiece.

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[1] See pp. 120, 148, 159.

BENEFICIAL EFFECTS OF THIS FORM OF ASSOCIATION.

Q. Do you think an association between the manufacturers simply to control matters of that kind can be maintained and will be beneficial?—A. It is very desirable, and I think all the manufacturers like it. They do not have that bitter feeling that they otherwise would have, and they become friends and do not believe everything they hear about each other, and it is very beneficial. It is like meeting a number of men at a club, you know. If I have any cause of complaint against one of my competitors who has done something to me I do not mind speaking to him about it, and often find that I have been lied to. It makes a better feeling and is very beneficial.

Q. You do not think it limits competition at all?—A. No; I do not think it does that, because we are all selling at more or less the same prices now. There are more or less uniform prices because there is just a certain margin above hemp, and prices vary a quarter of a cent a pound in different sections of the country and with different manufacturers, but it prevents that fierce competition which is so ruinous to trade, and it is the nicest form of competition.

RESULT OF REMOVAL OF TARIFF ON CORDAGE WOULD BE INJURIOUS.[1]

Q. (By Mr. Litchman.) I should like to ask another question. Supposing cordage factories were established in the Philippine Islands, what would be the effect on the cordage factories in the United States?

Q. (By Mr. Jenks.) May I precede that with another? If the tariff on cordage were removed, what do you think would be the effect on the Philippine Islands?—A. I think a moderate tariff is very desirable, because otherwise we would be used as a dumping ground for all classes of rope, from England, Ireland, the Philippines and Germany, and other places. The tariff prevents that. I think American rope is the best rope made, and one reason is that we have not had to compete with the rope they send out there. In the Philippine Islands the labor is very ignorant. There is one disadvantage they would have. A great many orders we have are for special lengths—three strand, four strand, forty fathoms, eighty fathoms, and all that sort of thing—and they have to be made up quickly and shipped out the next day. Of course, being so far away they could not do that trade, but as to whether they could send a large amount of ordinary sizes and hurt this market, I think they could if they can make it cheaper. It would be a disadvantage to have free trade with the Philippine Islands, because some smart Yankee would go over and start a factory there and maybe get some good men. There is a factory in Yokohama that makes good rope, and the owner is a Japanese maker.

Q. You know it is said that the way to fight combinations of manufacturers is the removal of the tariff on their product?—A. It might have a disastrous effect on the combination, but, I believe, in hurting the combination it would hurt the country. I think that combinations that do not charge too much are an advantage to the country, and those that do charge too much will fail and competition ensue. If I were making too many goods, running my factory full, and could not sell them at a profit here, I would sell the surplus abroad at any price, even 10 per cent below cost. Now, if we had free trade with England, England would be dumping her surplus product here to keep her factories running; it would injure our whole product.

MANUFACTURERS WILL SELL ABROAD CHEAPER THAN AT HOME, WITH OR WITHOUT TARIFF.

Q. The claim is made that these combinations are keeping up the domestic price to the full limit and still selling the same kind of goods in foreign markets at a very much lower price?—A. I think that would occur without any tariff. I think England to-day will export goods below what she sells for at home. As for the rope manufacturers, I know they have a regular trade; they are selling rope to that trade at 10 cents, and goods to be exported they will sell, for instance, at $9\frac{3}{4}$ cents. It does not hurt the rope manufacturer's trade when these goods go abroad, whereas he would not go around in his own country and sell them at that figure. It would knock the profit off his business; but if he can sell it abroad he will do it. I think it is natural to do that without combination.

Q. You think that practice is used by foreign manufacturers in connection with the United States?—A. Wherever it is possible to do so, I think it is used continually. I have heard that in all directions.

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[1] See pp. 115, 141, 150.

Q. Do you find many manufacturers here who are manufacturing this cheap grade of rope you are speaking of that interferes with you? You spoke of the large competition of loose ends and poor-grade ropes in foreign markets.—A. I do not like to be personal, but there is one manufacturer here who does sell a very poor grade of mixed rope, because he has very hard work to get trade.

A SMALL CONCERN CAN COMPETE WITH A LARGE COMBINATION.

Q. (By Mr. PHILLIPS.) Now, you said of a large combination, that if they put the price high they invite competition. Would that be true, as a rule, of a combination that had, say, $50,000,000 or $100,000,000 capital? How could a small concern compete with such a large combination if they had such a large control of the market? Would not this combination meet the small concern at given points and at those given points sell below cost?—A. Maybe I can give you an example. The United States Steel Trust is probably the biggest corporation, as we all know, with $1,100,000,000 capital and $300,000,000 of bonds. I am the president of a steel company that has $750,000 of capital. I would rather have my interest in that company than have the same amount of money in the United States Steel Company for this reason: We are on Long Island and our raw material is scrap instead of the ore, and we have steel furnaces in which we convert the scrap, which is purchased in New York. Old machinery and old scrap iron and all of that sort of thing goes into our furnaces, and out of it we make billets and rods. We have not any dead weight to carry, and I do not see how the steel trust can take advantage of us. We have a local market and our raw material is locally produced, and we have a good market.

Q. Suppose they should enter the local market and sell below cost?—A. We would have to find a market a little farther off; we would have larger freights against us.

Q. Suppose they should follow you there?—A. They would have to.

Q. Suppose they should reduce the price over the whole country?—A. They would have a dead loss, and it would cost them $10,000,000.

Q. That might be true, but you could not sell your steel?—A. The question is whether we could lose $100,000 as long as they could lose $10,000,000. If it came to a fight to the death, I do not know who would die first.

Q. That method has been used to crush out small persons?—A. I believe it has.

Q. They go into a given market and crush them out and do it right along?—A. One safety in this special position of ours is that we have an export market. We are situated at a desirable point for the export market. Of course, I do not know how far they intend to crush us, but Mr. Morgan has told us that they do not intend to hurt anybody; they are only going to have a steady market for steel.

NO CANADIAN ESTABLISHMENTS IN THE NATIONAL CORDAGE COMPANY.

Q. (By Mr. JENKS.) You had in the National Cordage Company some Canadian establishments, did you not?—A. No; never had any. A syndicate of manufacturers bought largely in the Consumers' Cordage Company of Canada.

Q. But that was never a part of the National Cordage Company?—A. No.

NO POOLING AGREEMENTS IN LAST TWELVE YEARS.

Q. Have there been any pooling agreements[1] since the Standard Company?—A. No.

Q. Or since the National Company?—A. Not in the last 12 years.

Q. Not since the National Company was organized?—A. No.

Q. Do some of the manufacturers who are outside of the Standard Company now work in harmony with it?—A. We are all working in a friendly manner, but I do not think there is any particular harmony.

Q. No agreements?—A. There are no agreements at all, except we have a friendly feeling and no bitter competition; but there are no penalties about price cutting or anything of that sort.

NO LEGISLATION NEEDED ON THE SUBJECT OF COMBINATIONS.

Q. Have you any suggestions to make with reference to any possible legislation that might benefit the public—legislation, I mean, on this subject of combinations?—A. Well, my personal opinion is that no legislation is necessary, because, as I have said before, I think a trust or combination that benefits the public will last, and when it does not benefit the public it will be killed by outside competition. I think it is a natural law that takes care of itself.

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[1] See pp. 126, 138, 147.

Q. (By Mr. PHILLIPS.) Has it been the history of some of the very largest trusts that they were killed by competition?—A. I think so.

Q. Do they not follow their competitors into the market and sell below cost?—A. As far as I know—not to mention names—I think the most conspicuous trusts have resulted in giving cheaper products to the people.

MANUFACTURE OF WIRE ROPE.

Q. (By Mr. JENKS.) Do you manufacture wire rope?—A. Yes.

Q. Did the National Cordage Company manufacture wire rope?—No.

Q. How many different establishments are there manufacturing wire rope?—A. I think about 8. I have only been making it for about one year and a half.

Q. Is the wire rope manufactured particularly by those that are engaged in the cordage business, or by iron and steel plants?—A. Entirely outside. I am the only cordage man that makes wire rope.

Q. Are you making that at this steel company that you spoke of?—A. No, I am making it at the plant where I make manila rope.

Q. Generally speaking, is the wire rope made in connection with the steel industry?—A. Yes.

Q. Who are the other manufacturers?—A. Roebling is the big one.

(Testimony closed.)

WASHINGTON, D. C., *April 13, 1901.*

TESTIMONY OF MR. GIDEON F. HOLMES,

Treasurer of the Plymouth Cordage Company.

The commission met at 10.48 a. m., Vice-Chairman Phillips presiding.

At 12.07 p. m. Mr. Gideon F. Holmes, of North Plymouth, Mass., treasurer of the Plymouth Cordage Company, was introduced as a witness, and, being duly sworn, testified as follows:

Q. (By Mr. JENKS.) Will you please give your name and address?—A. Gideon F. Holmes.

Q. And your address?—A. North Plymouth, Mass.

Q. You are treasurer of the Plymouth Cordage Company?—A. I am treasurer and general manager of the Plymouth Cordage Company.

Q. How long have you been engaged in the cordage business?—A. I have been with the Plymouth Cordage Company for 42 years.

POOLING AGREEMENTS IN THE CORDAGE BUSINESS.

Q. Has the Plymouth Cordage Company at any time been connected with other cordage manufacturers through pools[1] or agreements regarding selling, or has it formed part of a combination at any time?—A. It has in times past.

Q. Will you tell us concerning some of the agreements that the Plymouth Company has had with other concerns? Please state about when these agreements were made, and describe their general nature.—A. Well now, I am not prepared to give you the exact dates.

Q. Can you tell us about the time?—A. It would go back several years. We had a pool whereby each concern was allotted a certain percentage of the business done by the entire pool, and then if we overran our percentage we paid into the pool a certain amount per pound, and if we fell short we received from the pool.

Q. Did that pool include any large proportion of manufacturers in the country?—A. Yes.

Q. Substantially all of them?—A. I am not sure that it included all, but most of them.

Q. Was the pooling arrangement that you had in those days a profitable one to your company?—A. We have made more money outside of a pool than we have in a pool.

Q. Did any special advantages accrue to you from any of your pooling agreements?—A. We thought so at the time, but later on we concluded that it was not to our advantage. In fact, we paid in every time into the pool.

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[1] See pp, 126, 137, 147.

COMPETITION WITH THE NATIONAL COMPANY.

Q. You were solicited to join the National Cordage Company at the time that was organized?—A. Well, we were solicited to sell out to them.

Q. When the National Cordage Company was in active operation did you find that it interfered materially with your business so as to lessen your profits by the sharpness of its competition?—A. No.

Q. Were they able at any time through their agreements with the sellers of manila hemp to gain any special advantage in that way?—A. No.

Q. The statement has been made that at one time at least the National Cordage Company succeeded in getting purchasing agreements by which they had half a cent per pound advantage of other buyers in the United States. Did your company experience this disadvantage?—A. We never experienced anything of that kind.

Q. You thought you were able to buy as cheaply as they?—A. Yes.

Q. As regards the selling price of rope, were you in the habit of following the prices that they had set, or were your prices established wholly independently?—A. Well, we followed them pretty closely. Perhaps in explanation of that I may say that it has been the policy of our company from the very beginning to put out goods of special merit. We have always considered quality and fair dealing first, and commercial gain next. In fact, in our judgment commercial gain naturally follows merit, and we are satisfied if we know that our competitors are not underselling us.

Q. On the whole, did the National Cordage Company hold prices somewhat higher than they had been before the cordage company was formed, so that by following them you really got a benefit from the company's existence?—A. Yes, but whether they would have put up the price if the price of hemp had not been advanced is quite another question. Their trying to get the control of hemp naturally put up its price, and, of course, manufactured goods had to follow.

Q. Did the price of the manufactured goods go up more than proportionately to the price of hemp?—A. I can not say that it did, but all the manufacturers had more or less hemp on hand from which they gained the advantage of the higher price.

SPECULATIVE NATURE OF THE CORDAGE BUSINESS.

Q. Does the raw material in the manufacture of rope form so important a part of the product that the business is made somewhat speculative in its nature on account of the raw material market?—A. For the last few years it has been decidedly so.[1]

Q. Earlier such was not the case?—A. Not to such an extent. Of course, when the National Cordage Company started in and tried to buy large quantities of hemp, they naturally pushed up the price,

Q. And you were fortunate enough to have a good stock on hand?—A. Yes, we had to follow them to an extent. We did get caught once or twice, but it averaged up all right.

Q. Are you accustomed to buy your hemp, speaking generally, in sufficient quantities to last you a year, or do you buy from time to time?—A. If I think the market is low, I anticipate my wants and buy hemp. If I have a feeling that prices are going to decline, I hold off the market.

Q. So that of necessity the business has to be more or less speculative, depending upon your judgment of what is likely to happen within the next 2 or 3 months?—A. Well, to illustrate: You understand that during the last 2 or 3 years the price of manila hemp went up from $3\frac{5}{8}$ cents a pound to about 15 cents a pound. I do not know whether I am getting the figures exact, but they are very close. Well, when we saw trouble was coming we naturally bought ahead.

NO SPECIAL ADVANTAGE OBTAINABLE FROM COMBINATION IN CORDAGE INDUSTRY.

Q. From the general nature of the cordage business do you think that there is a possibility of an organization powerful enough so that it could practically drive out of business the smaller competitors?—A. No.

Q. Is the industry such a one that a comparatively small establishment can work to almost as good advantage as a great combination?—A. Yes.

Q. What are the special savings, if any, that could be made by a large combination? Could it save anything at all?—A. The only way they could make a saving would be in their management, and, of course, the small concern can do that as well as the large concern.

Q. Do you think that the personal element in the management of the concern is the chief thing in the cordage industry?—A. I do.

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[1] See pp. 120, 154.

RELATIONS WITH EMPLOYEES—TENEMENTS.

Q. The Plymouth Cordage Company is, I have understood, an old company. It has been in existence for a good many years?—A. Yes, it was organized in 1824.

Q. In regard to your relations with your employees, I should like to ask you a question or two. Have you been in the habit of building tenement houses for your employees?—A. Yes.

Q. Why? Do you make the rents of those tenements an additional source of profit, or what are your reasons for taking especial care of your employees?—A. So as to have them near us and to give them better houses to live in.

Q. About how large a proportion of your employees are in these tenement houses?—A. I can not answer that as I would like to, and as I should have done if I had known that question was coming up. We have about 1,000 persons—men, women, girls, and boys in our employ. We have 173 tenements.

Q. Do you give your employees the opportunity of buying these tenements for themselves if they want to have an independent house of their own?—A. No, but a great many of our employees own their own houses right in the neighborhood.

RELATIONS WITH EMPLOYEES—TRADE UNIONS, LABOR DIFFICULTIES.

Q. Are your employees organized into trade unions at all?—A. No.

Q. Do you know whether in this country employees in the cordage business generally have trade unions?—A. I do not know.

Q. Have you yourself found it necessary or desirable to express any opposition to trade unions in connection with your employees?—A. No.

Q. Have you had any difficulty with your employees?—A. No. About 1863 or 1864 we had a difficulty that lasted only a few days; and I am sorry to say that on Wednesday of this week a few of our men went out.

Q. On a strike?—A. Without expressing or telling us of any dissatisfaction, without telling us anything at all. The first I knew of it was when I received a telephone message from our superintendent that one of the departments had gone out of one of the mills.

Q. That is the only trouble you had with them since the sixties?—A. Yes. It is unfortunate that they could not have put it off for a week. Now, I want to say right here that personally I feel very sore over that, because I think it was without any just cause or reason whatever. This difficulty was Wednesday afternoon. Thursday morning some of them went back again. Thursday noon time nearly every one had gone back, and the rest came down Thursday afternoon and asked the privilege of going to work the next morning without any change in the hours, in the pay, conditions, or anything else. It was simply a misunderstanding brought about by the hot headed talk of 3 or 4 youngsters, I think, under 21 years of age.

Q. And all of them went back?—A. Every one of them. So that the difficulty or the objections or complaints could not have been very serious. This was ordinary help, you understand, and in looking back to the month of January, when we were running along in the regular way, and no overtime or anything of that sort, we found these very persons that had gone out on a strike on Wednesday afternoon averaged over nine dollars and a half a week during one of those weeks in January.

HOURS OF LABOR—SEX OF EMPLOYEES.

Q. Do you run your plant day and night at times?—A. We have not for a time. We stopped it about a year ago.

Q. What is your working day—how many hours?—A. We make 58 hours a week. We start our mill at half past 6 in the morning, stop at 12 for dinner, start again at 1 and stop at 6; and by stopping on Saturday at 12 o'clock we make the 58 hours, and that ends the week's work.

Q. Are those about the hours followed in the cordage industry throughout the country, so far as you know?—A. I think the other plants make more hours.

Q. Are your hours prescribed by the Massachusetts law?—A. Yes, for women and minors, but not for men; but we put them all on the same basis.

Q. About what proportion of your employees are women?—A. Out of a thousand employees about 160 are women and girls.

FOREIGN AND DOMESTIC MARKET FOR PRODUCT.

Q. Where are your markets, mainly? Where do you sell your products?—A. Nearly all over the world.

Q. Where do you export?—A. To the Argentine Republic, England, Germany, Russia, Austria, and South Africa.

Q. And you sell, I suppose, throughout the United States?—A. Yes.

COMPETITION WITH WESTERN MANUFACTURERS—MEXICAN COMPETITION.

Q. Do you find that you are at enough disadvantage as regards the freight charges to interfere materially with your selling in the western market, say in the neighborhood of Chicago or beyond?—A. We are feeling this more now than we ever have before.

Q. What proportion of your output is binder twine?—A. About one-half.

Q. And I suppose it is in the binder twine that you feel this disadvantage in the matter of freight charges?—A. Well, to illustrate, the western manufacturers can get their hemp at the present time delivered in the West at about the same price we have to pay for it delivered at our works, and, of course, we have to pay the freight on the manufactured article afterwards.

Q. How do they get their hemp so as to have it come at about the same rate?—A. I am referring now, you understand, more particularly to sisal hemp, which is a product of Mexico, and which is used extensively in the manufacture of twine. The western manufacturers get it up from the gulf ports, New Orleans and Mobile mostly. I understand that the present rate of freight from Mexico or from Progresso to New Orleans or Mobile is from one-eighth to three-sixteenths of a cent a pound. The rate of freight on hemp from New Orleans to Chicago is supposed to be about 15 cents. That is not exact, but it is supposed to be about 15 cents. The actual rate from Mobile to Chicago is 18 cents. On the other hand, the rate on hemp from Progresso to Boston is about three-tenths of a cent. The rate on the manufactured product from Boston to Chicago is 25 cents.

Now, while on the subject of competition with other mills, I should like to speak of a mill down in Mexico. There is a mill there that is generally understood—I presume that it can be easily ascertained whether it is true or not—to have some special advantages. There is an export duty in Mexico on all sisal hemp. It is generally understood that there is no export duty on the manufactured product, so as to encourage this mill. Whatever advantage they may have over us on labor here, I do not know; but it is generally understood that they do have the advantage of not having to pay the export duty on their manufactured goods.

Q. Do they send much of their product into the United States?—A. Most of it comes into the United States, I understand.

Q. Does the export duty that you have to pay on the sisal offset the import duty that they have to pay on their product?—A. They do not have to pay anything, for their product is binder twine averaging 500 feet to the pound, on which there is no duty.

EFFECT OF REMOVAL OF DUTY ON CORDAGE.[1]

Q. Do you think the duty on cordage affects your business favorably?—A. We have thought so.

Q. Would it be injurious to the business now if that duty were removed or materially lessened?—A. Well, we should feel that way, although we ask for no advantages provided the others have to pay the same for labor and supplies.

Q. If the duty were removed, from what country would you expect importations to increase?—A. Well, we should expect it more particularly from England. Of course, whether it would come later on from the Philippines or not we do not know. That we would have to take advantage of.

Q. Is there much importation of rope now?—A. No.

THE PHILIPPINES AS A POSSIBLE LOCATION FOR A CORDAGE FACTORY.

Q. From your knowledge of labor conditions and the general condition of manufacture in the Philippines, would you anticipate the building of rope factories there?—A. I do not know enough about that to answer it intelligently, because it is a matter that I have not given any especial thought. In fact, I prefer to cross the bridge when we get to it.

Q. (By Mr. FARQUHAR.) Would there be a material difference in the cost of transportation of the manufactured article from the Philippines to the United States as compared with that of the raw material to the United States?—A. I fancy not. I am now basing my answer on what is the custom here in the United States—on the rate of freight charged on the manufactured article and on the raw material.

Q. That is, gauging the ocean freight on the difference of bulk and weight, you think it would amount to the same on the manufactured article as the raw material?—A. Yes, I fancy so.

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[1] See pp. 115, 136, 150.

CORDAGE PLANTS ON THE PACIFIC COAST.

Q. Has there been discussion among the cordage manufacturers of this country in respect to the establishment of a manufacture of cordage and twine on the Pacific coast on account of its nearness to the raw material of the Philippines?—A. There are already two or three mills there and have been for years.

Q. Is there any talk of enlargement of the cordage manufacture on the coast in that respect?—A. Not that I know of.

Q. Suppose that an enlargement was made there; would the difference of the transcontinental freights keep that region from being an immediate competitor with you in the Mississippi Valley and the East?—A. I do not think an enlargement there would materially affect our business in the middle West and East.

SPECIAL COMMODITY RATE FOR HEMP—INCREASE OF FREIGHT RATES.

Q. (By Mr. KENNEDY.) Is your product in railroad classifications or do you have a special commodity rate for it?—A. I think we have now a special commodity rate.

Q. Have the railroads increased the rates any within the last year or so?—A. I think so.

Q. Do you know the rate?—A. I am not following that very closely because those are details that I have to leave to others.

Q. Do you know whether your people have thought the increase was unwarranted or not?—A. All that we ask for is at all times to know that none of our competitors get a lower rate of freight than we are getting. We should be better satisfied if we knew that every one of our competitors had to pay the same rate of freight; whether it is 20 cents or 50 cents, we do not care.

DISCRIMINATIONS IN FREIGHT RATES.

Q. Have the railroads given any of your competitors discriminations against you?—A. We do not know that they have, but there is a feeling of unrest when we have to run around to see whether we can get any special advantages, and sometimes succeed.

Q. (By Mr. LITCHMAN.) You think, then, that the other concerns also get advantages?—A. Yes. Now, I should feel better satisfied if I knew the others could not do it, and knew that I could not do it.

Q. (By Mr. KENNEDY.) What is the feeling in the trade at the present time? Is it that all are treated alike in respect to freight rates?—A. That I do not know.

Q. (By Mr. PHILLIPS.) Do you have any special rates now? You spoke of having had them; have you at the present time?—A. I do not think we have at the present time, but on that I can not, as I said before, give the details. Any one that has had to do with the product of the Philippines in the last few years has had his hands full.

Q. (By Mr. C. J. HARRIS.) Have freight rates been materially raised in the last few years, would you say?—A. Well, I should say there had not been much of a raise, but some. I can not give you the figures on that. I am simply giving you now information gained from conversations I have had with some of our men looking after that special work.

Q. Would not a material increase in freight rates affect your business for the worse?—A. If all our competitors had to pay the same?

Q. Well, suppose you were shipping all over the country and the freights were very materially raised. Those that were nearer the business would get all that part of the trade, would they not? You could not put your goods in there with the higher rate of freight?—A. Yes; but they must get their raw material. You see the raw material that we use is of a foreign growth.

Q. So you think the freight on the raw material would equalize the freight on the manufactured goods?—A. Yes.

Q. (By Mr. KENNEDY.) Has there been any competition by the railroads for your particular business—soliciting your business, for example?—A. Yes.

Q. Have the railroads come to you with offers of special freights for the purpose of getting your business?—A. I can not say that they have.

Q. You are the one to solicit discriminations then instead of the railroads coming and offering them to you?—A. If they know that we have a lot of goods going to a certain point (a fact which they often ascertain through the buyers of those goods), they will come to us and ask us to give the business to them and to see them before we make the shipment, or something of that kind. But as I stated before, that is one of the details that I am not posted on.

Q. Can you state whether there is a feeling in the trade that the railroad discriminations are disappearing?—A. That is a difficult question for me to answer, because I have not gone into the details.

Q. (By Mr. PHILLIPS.) You are still apprehensive of discriminations?—A. I am.

Q. (By Mr. KENNEDY.) You say you are still apprehensive. Can you give any reasons for your apprehensions? Are your competitors able to undersell you in markets that would indicate that they have favors of that kind?—A. No; I can not say that they are.

ADVANTAGES AND DISADVANTAGES OF LOCATION OF PLANTS ON PACIFIC COAST.

Q. (By Mr. LITCHMAN.) Did I understand youto say there are several cordage factories on the Pacific coast?—A. Two or three there; one in San Francisco and one in Portland.

Q. How far does the price of labor on the Pacific coast operate to develop the establishment of cordage factories there?—A. I do not know just what the rates of labor are there, but I supposed them a trifle higher than in the East.

Q. You think that would be a handicap?—A. Yes.

Q. Do you think that would be sufficient to counterbalance the extra cost of freight from Manila to the eastern port?—A. No; I hardly think it would. Almost every one using cordage will require some sisal as well as manila hemp. Sisal is a product of Mexico. Now, in order to get the best rates of freight you must ship in carload lots. Therefore a buyer is loath to divide up his orders. Where he buys the manila he likes to buy his sisal.

MIXTURE OF MANILA AND SISAL ONLY MADE FOR BINDING TWINE.

Q. You spoke of the use of sisal. Do you mean for the adulteration of the hemp?—A. No.

Q. You make entirely pure hemp rope?—A. Yes.

Q. And entirely sisal rope?—A. Yes.

Q. Is it a practice among some manufacturers to combine the two and strengthen the sisal by the addition of manila hemp, or cheapen the manila hemp by the addition of sisal?—A. We have had some samples of rope sent to the mill for examination that showed that the fiber was mixed.

Q. The grade of the product of the Plymouth Cordage Company is considered among the best, I believe. Do you think it would be good business prudence to peril a reputation for quality by making such a mixture?—A. It is a thing we would do under no circumstances. In fact, we have built up our business to a very great extent by turning out fewer goods and good goods. You understand when you come to binder twine there are mixtures. If you are going to make binder twines running over 500 feet to the pound—e. g., 550 feet—it will be necessary, in order to make a satisfactory article, to put in some manila hemp. If you are going to make it 600 feet, there must be a larger proportion; for 650 feet you want to use pure manila hemp. Now, we make mixtures, but we never put a tag on to the mixtures with the word "Manila" on it. We make a manila twine, but it is a pure manila.

Q. Your manila rope is used almost exclusively for running rigging in ships, is it not?—A. It should be of manila hemp.

Q. The sisal rope will mildew and rot quicker than the manila hemp?—A. Yes.

RELATIONS WITH EMPLOYEES—MAXIMUM AND MINIMUM WAGES.

Q. Now, we should like to have a statement of the wages paid in your plant. If it covered a period of 10 years, it would cover the good times from 1890 to 1892, the dull times from 1893 to 1897, and again the good times up to the present time.—A. Our rate of wages has not changed since 1880.

Q. And are you able to state what that average is now?—A. Our common labor—the cheapest for men—is $1.35 a day, and that is based on 6 days constituting a week's work of 58 hours.

Q. Is your help composed of people who have been with you a long time?—A. Yes. When we had our seventy-fifth anniversary we went back for a period of 40 years and found that between 11 and 12 per cent of those who were with the company in 1859 were still with us.

Q. You gave the minimum rate of wages. Now, can you give the maximum, aside from superintendents and salaried men?—A. They run up to $2.50 or $2.75; I think in some cases $3. Then we come to the salaried men.

Q. The relations between your help and the company have been, on the whole, friendly and satisfactory?—A. Very.

EFFECT OF NATIONAL CORDAGE COMPANY'S FAILURE ON CORDAGE INDUSTRY.

Q. (By Mr. FARQUHAR.) What effect did the failure of the National Cordage Company have on your business when they came to liquidate the assets of that organization?—A. Well, we have grown steadily for years. I can not say that it had any special effect. We were growing all the time they were in operation and when they reorganized, and we have been growing ever since.

Q. Did the liquidation of their assets have any effect on the cordage market?—A. I should say no.

Q. From their failure in 1893 through to 1897 did your works give full time to your people, or did you run short time during the hard times, so called?—A. We ran all the time, and for the last 4 or 5 years, up to within a year, we ran our mill night and day.

Q. Without any impairment of wages?—A. Yes. Our wages have not been changed since, I think, 1878.

PERCENTAGE OF OUTPUT OF COUNTRY PRODUCED BY THE PLYMOUTH COMPANY.

Q. (By Mr. JENKS.) Do you know about what percentage of the output of the country you produce?—A. I should say somewhere between 15 and 20 per cent.

Q. Is there any other establishment that has so large a percentage, or is yours the largest?—A. I think we are to-day the largest manufacturers of rope and twine in the world.

ROUTES FOR BRINGING IN RAW MATERIAL—ISTHMIAN CANAL.

Q. (By Mr. KENNEDY.) Does your raw material come all the way to the Atlantic seaboard by water?—A. Yes, to Boston, and from Boston usually by rail.

Q. How does it come—around the Horn or by the Suez Canal?—A. Both ways.

Q. Would the construction of the isthmian canal be of any benefit to you in your business? Would it benefit your trade generally?—A. I should think that it would.

Q. Have your people considered the subject?—A. I can not say that they have especially.

Q. You are in favor of it on the ground that it would benefit your industry?—A. Yes.

ESTABLISHMENT OF FREE LIBRARY, PRIZES, PARKS, AND BATH HOUSES FOR EMPLOYEES.

Q. (By Mr. PHILLIPS.) Perhaps we have not covered the ground, and you may have some statistics or information that you want to present or some statement to make to the commission of your own motion. Have you anything to add?—A. Well, you have not touched, or you touched very lightly, on the tenement question. Also, I do not think anything has been said about what we are doing for our employees in the way of profit sharing or anything of that sort.

Q. That would be very interesting.—A. We have not, strictly speaking, done anything in the way of profit sharing; but we have established a free library for our employees, and we are building a park for their benefit. We are also offering prizes for the best gardens that can be produced—flower gardens, etc.—and prizes for those that will keep their yards in the best condition. In fact, we have employed a man especially to look after those things and to encourage that feature. We also have prepared a baseball ground and grounds for other games; and last year we had an exhibition of all the different things that the men had done, and offered prizes for their sports, etc., devoting a whole day to it.

Q. (By Mr. KENNEDY.) What have you to say as to profit sharing? What experience have you had?—A. Only in this way that I am telling you of now. We have just started in on that. Of course we shall carry that along to quite an extent, but we must feel our way in it. We do not want to do it so rapidly that we shall make a failure of it, but we must have the men understand what we are doing, so as to appreciate it. We shall also this spring build bath houses for them. We contemplate putting up a building where they will have lunches served to them at a low cost.

(Q. By Mr. JENKS.) Is this library free?—A. Yes; to all our employees.

Q. You intend to conduct the bathing houses in the same way or with a small charge?—A. The only charge will be for the bathing suits. If they will bring their own suits there will be no charge. We shall encourage them to buy their own bathing suits, and so have the free use of the bathing houses.

Q. (By Mr. LITCHMAN.) The plant is close enough to the harbor so that your bath houses will be easily accessible?—A. We are right on the shore.

SIZE OF TENEMENTS AND RENT CHARGED—WATER AND FUEL SUPPLY.

Q. (By Mr. Tompkins.) In your tenements how many rooms per tenant are there?—A. Well, they vary. We put up about 2 years ago 7 double tenement houses. In each of these houses there was a kitchen, bathroom, 2 front rooms on lower floor, 2 chambers. Then we put up 7 other houses that had the same room below and 3 chambers above. Then we put up 6 other tenement houses with the same number of rooms below, only larger, and 4 chambers above. Then connected with each of these last houses is a garden varying in size from 2,500 to 7,500 square feet each.

Q. (By Mr. Jenks.) What do those houses rent for?—A. All the way from $1.90 per week to $2.50 per week, according to size, and whether they are right on the main road or not.

Q. (By Mr. Tompkins.) That is for a house for the family?—A. Yes; there are only a few of them that rent as high as $2.50 a week.

Q. (By Mr. Jenks.) Are there 2 families in the house in that case, or separate houses for each family?—A. Two houses under one roof.

Q. Double houses?—A. Yes; but the number of rooms I gave you was for each individual house.

Q. (By Mr. Litchman.) The houses are heated by stoves?—A. Yes.

Q. They have running water and bath tub and toilet conveniences?—A. Yes. The bathrooms are not fitted up with hot water, but they are with cold water. They can easily heat a teakettle full of water, you know. I want to say, too, these prices I have given you per week cover everything, water and everything else.

Q. (By Mr. Jenks.) Is there provision for lighting with gas?—A. No.

Q. (By Mr. Litchman.) Do you make provision to supply your tenants with fuel? Are they able to buy from you?—A. We did that up to within 2 years ago, when in building the new mill we had to use the yard where we kept the coal. It is our intention, however, just as soon as we get straightened out, to do that again. Our practice has been to supply our operatives with coal at cost.

AMOUNT OF CAPITAL STOCK—MARKET VALUE OF SHARES—SURPLUS.

Q. (By Mr. Phillips.) What is the amount of your company's capital stock?—A. Our capital stock is $1,000,000.

Q. Is it sold on the market?—A. Occasionally, yes.

Q. Do you care to state what the selling price has been?—A. The last sale was at $250 a share.

Q. (By Mr. Litchman.) Par value of $100?—A. The par value is $100, yes.

Q. You spoke of your capital stock being $1,000,000. What surplus have you?—A. [Looking at paper.] This is our statement of July 31, 1900. Our surplus was $748,055.72. This is our sworn statement to the state.

Statement of assets and liabilities of the Plymouth Cordage Company, July 31, 1900.

ASSETS.

Real estate		$245,750.00
Machinery		270,000.00
Cash and accounts receivable		1,153,814.67
Manufactures, merchandise, and stocks in process		1,815,216.40
		3,484,781.07

LIABILITIES.

Capital stock		$1,000,000.00
Notes and accounts payable		1,619,699.11
Reserves:		
Profit and loss balance	$748,055.72	
Improvement	7,719.65	
Suspense	109,306.59	
		865,081.96
		3,484,781.07

FOR LAST 2 YEARS DIVIDENDS PAID WERE 16 PER CENT A YEAR.

Q. (By Mr. PHILLIPS.) About what have been your average dividends for the last 5 years?—A. That is a hard question for me to answer because I have not brought the figures with me. The last 2 years we have paid 1½ per cent quarterly, and then at the end of the season have made an extra dividend of 10 per cent. But that has been more on account of our making a good profit on the hemp which we had bought—that speculative business that you referred to at the start, and which, I am very sorry to say, we have to go into.

IMPROVED CONDITION OF CORDAGE LABORER—REAL WAGES INCREASED, EMPLOYMENT CONSTANT.

Q. Have you any further statement to make, or have you covered the ground that you desire?—A. Our feelings are that labor never got a larger share of the profit than it gets to-day—that is to say, the laboring man is in better condition to-day, so far as our industry is concerned in our place, than ever before.

Q. (By Mr. KENNEDY.) Do they get any larger share of the profits to-day than in 1881? You said there had been no increase in wages.—A. The wages are the same; but in many respects do you not think the cost of living is perhaps less? I had supposed it was.

Q. (By Mr. FARQUHAR.) The surroundings are better?—A. The surroundings are better. They get better tenements, certainly. They have fewer hours of labor. If you look at it that way, wages are higher than they were in 1878.

Q. (By Mr. LITCHMAN.) Would you say that the employment is more steady during the last 10 years than 10 years previously, or has the factory run as steadily from 1880 as now?—A. No, I do not think it has. But for the last 15 years it has run very steadily. In fact, it has for the last 30 years run steadily, but we have been constantly growing up to the point of running it all the time. We make a great many goods which we do not know where they are going to, but we believe in keeping our men employed.

Q. Your goods being standard, you can do that with safety, can you?—A. Yes.

Q. Is there any deterioration in the goods held in storage?—A. Not in the short time we have to carry them.

(Testimony closed.)

WASHINGTON, D. C., *April 13, 1901.*

TESTIMONY OF MR. WILLIAM W. FITLER,

President and treasurer, Edwin H. Fitler Company.

The commission being in session, at 1.07 p. m., Mr. William W. Fitler was introduced as a witness, and, being first duly sworn, testified as follows:

Q. (By Mr. JENKS.) What is your business address, Mr. Fitler?—A. No. 23 North Water street, Philadelphia.

Q. What is the name of your company, and what position do you hold in it?—A. Edwin H. Fitler Company, of Philadelphia, and my position is president and treasurer.

STOCK OF THE FITLER COMPANY.

Q. Is this a corporation?—A. Yes.

Q. What is the capital stock?—A. $1,500,000; 15,000 shares of $100 each.

Q. Is it all one grade of stock?—A. Yes; we have nothing but the 15,000 shares.

Q. No bonds?—A. No bonds of any kind.

OUTPUT OF PRODUCT CONTROLLED BY VARIOUS CORDAGE COMPANIES.

Q. What percentage have you of the entire manufacturing capacity of the country; do you know? About what percentage of the output of the country do you have?—A. I would say close to 18 per cent.

Q. Are there other companies manufacturing more?—A. Well, I would say yes, there were.

Q. What others?—A. There is the Standard Rope and Twine Company, the Plymouth Cordage Company; I doubt if there are any others.

Q. About what proportion of your output is binder twine?—A. That is hard to answer. It varies considerably, according to what is for the time our best interest. We are rigged to run both ways. We have a certain number of spindles, and we can swing them on rope or twine, according to which is the best. In early days we ran very heavy on twine, and to-day we are decidedly heavier on rope.

CONNECTION WITH POOLS—EFFORTS TO PURCHASE FITLER COMPANY.

Q. Was your company at any time connected with any pools[1] or associations of cordage manufacturers?—A. Well, that was before my time. This company never has been connected with any, but the old firm was connected with a pool many years ago.

Q. Before the organization of the National Cordage Company?—A. Yes.

Q. Have you been connected with any of the three last combinations—the National Cordage Company, United States Cordage Company, or the Standard Rope and Twine Company?—A. Never, in any way.

Q. Were efforts made to buy you out?—A. Yes.

COMPETITION WITH NATIONAL CORDAGE COMPANY—CUTTING OF PRICES.

Q. Did you find, before the time of the organization of the National Cordage Company, that the pressure of competition was very severe?—A. When they first started, yes; but afterwards, in later years, it was not so hard.

Q. In what special ways did they seem to have the advantage of you?—A. Of course I am talking now about the Edwin H. Fitler & Co., our predecessors. Our present company is the sons; it was reorganized at my father's death.

Q. I asked you in what special ways you felt the opposition in the trade. Where did they get the advantage of you?—A. Well, I think that in the early days when they first started out there was a great desire to whip a lot of us into line, and therefore the competition was severe. It was a question of a good deal of nerve to stand out and fight against tremendous capital.

Q. You felt it mainly in the cutting of prices?—A. Yes.

Q. Did you find they had any advantage at all in the buying of the raw material? Were they able to corner the product in whole or in part?—A. No. They tried to.

Q. What was your experience in that?—A. When they first started out they apparently had control of spot or nearby fiber, as we call it. Of course that threw us on our resources, the supplies we happened to have on hand at the time, which were not quite sufficient on account of certain sailers being late. We generally had our sailers coming forward from the islands. We felt it badly for about 3 weeks and after that our supplies came in.

Q. You had no further trouble?—A. Oh, there was a pinch once in a while; but we were running rather close to the wind.

MANNER OF PURCHASING RAW MATERIAL.

Q. Do you buy raw material direct from Manila?—A. We buy direct through London and other large houses. We have no connection of our own in the islands. The is principally, as I understand it, controlled by Englishmen.

Q. You buy in London?—A. Through London and through Peabody, of Boston, and others.

EFFECT OF NATIONAL CORDAGE COMPANY'S FAILURE ON MARKET FOR TWINE.

Q. Do you think that the failure of the National Cordage Company made any material difference in the market at the time their products were being sold to pay their debts?—A. There was a great deal of talk about what was called the bankers' twine, which is a long story. I can not describe it; but it ended by being taken as collateral and the bankers and financial men owned the twine. Of course, while that was in the market it made the twine business a very unsatisfactory business.

Q. That did not last for many months?—A. That lasted for a couple of seasons. Our twine business is a matter of season; we have only one part of the year in which to dispose of it.

COMPETITION WITH OTHER CORDAGE CONCERNS.

Q. Have you since the failure of the earlier company—the National Cordage Company—felt the pressure of the competition from either the United States Cordage Company or the Standard Rope and Twine Company more than from other large competitors?—A. Taking the competition to-day, I would say, we do not feel the Standard any more than the Plymouth or any other large concern.

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[1] See pp. 126, 137, 138.

ADVANTAGES FROM UNITED STATES CORDAGE ASSOCIATION.

Q. Are you a member of the United States Cordage Association?[1]—A. We are; yes.

Q. Do you find that that is a benefit to you?—A. It is a benefit in this way: we have no by-laws or anything that legally holds us. We can do as we please; we are free. But before we were organized we really did not know each other, and in carrying on our business we heard of what our competitors were doing. The result was unnecessarily bitter feeling—a few chips carried around on shoulders. Coming together made a better feeling; we worked more intelligently. I think it is a good thing.

Q. You think it fixes the price of your product in the market?—A. We have a list price, but I am sorry to say even our list prices are not uniform; but when it comes to the discounts we are decidedly not uniform. We would like to have more uniformity; but conditions with a great many compel them to do things at times, and it is impossible to hold a steady price.

Q. You think the organization does steady prices some and keep them a trifle steadier?—A. No; I can not say they keep the real selling prices steadier; but on the whole, it is an advantage—no doubt about that. With regard to our contracts for the purchase of raw material—we have to take all the responsibility in every way, and we would like to divide that responsibility up and make it more equitable; in matters of this kind the association is a benefit.

Q. You think you can work together in matters of that kind?—A. Yes; it is a matter we must look after. It is a question of whether the foreigners shall compel us to use that contract or whether we shall stand out and look after our own rights. In that sense it is a help to us.

RELATIONS WITH EMPLOYEES—STRIKES—WAGES—HOURS OF LABOR.

Q. In your relations with employees, have you had any difficulty in the way of strikes?—A. We have had very little, and the trouble has been mostly that we have a certain number of positions for boys of 15 to 16 years of age. These boys will grow up to be men, and we have not enough men's positions for them. If they would only leave and make a vacancy, that would be one thing; but maybe you will strike a youngster who has a nasty disposition, and he will want to make trouble. Then 10 or 15 will drop out and we get rid of that element. We always give them men's positions as there are vacancies, but we have very few vacancies; the men are married and settled, and we can not make a man's position for a boy—it is out of the question.

Q. About how many employees do you have?—A. About 450.

Q. How many of them are women?—A. About 150.

Q. Do you have tenement houses?—A. No.

Q. You simply pay wages straight and let the men take care of themselves?—A. We pay them and they take care of themselves.

Q. No profit-sharing plan?—A. None whatever.

Q. About what are the wages of ordinary labor?—A. We pay the ordinary labor, the men, $1.50 a day.

Q. That is the lowest?—A. The lowest for men. It grades up according to position.

Q. What is your highest, short of superintendents?—A. About $18 a week.

Q. What hours do you work?—A. Ten hours a day on the average. We work sixty hours a week, and we crowd in a few extra hours on five days, so as to close early on Saturdays.

Q. When do you close, at noon?—A. At 1 o'clock on Saturdays. Of course, the hours are so arranged that they run 60 hours for the week. The amount stated is the highest for 60 hours. Of course, we have higher wages than that, but I am leaving the superintendents out.

Q. (By Mr. Phillips.) We are not speaking of salaries, but of laboring men.—A. Wages run up to $15 or $18.

SALE OF MANUFACTURED PRODUCT—EXPORT BUSINESS.

Q. (By Mr. Jenks.) Where do you sell your product mostly?—A. All over the United States.

Q. Do you export any?—A. We have lately.

Q. Where?—A. Russia.

Q. That is practically all of your export business?—A. A good deal goes out indirectly through third parties. I do not care to look up that trade. It is not exactly satisfactory in price. It is very much cut up, and we would prefer not to have it.

Q. How long since you have been exporting to Russia, as you say?—A. For a number of years.

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[1] See pp. 120, 135, 159.

WESTERN COMPETITORS HAVE ADVANTAGE OF SAVING IN FREIGHT.

Q. Do you find yourselves at any disadvantage as compared with any of your western competitors on account of freight rates?—A. I think they have the advantage, on account of raw material. They can, no doubt, bring raw material from the Gulf by Mobile or New Orleans, or wherever it is the boats land it, and get it to Chicago at the same prices we pay for it in Philadelphia. They have the advantage over us. The freight on our rope out West is against us. I have not the direct experience, but I believe I am right.

Q. Is your market mainly in the East?—A. We sell all over the United States.

NO FREIGHT DISCRIMINATIONS.

Q. Have you had reason to believe there have been freight discriminations against you?—A. No, I do not know of any myself. I have never come in contact with it directly.

Q. Has there been any advance in freight rates in the last year or two?—A. I do not remember. I have not charge of that department; that comes under my secretary.

DIVIDENDS NOT PUBLIC—STOCK NOT ON THE MARKET.

Q. (By Mr. Phillips.) Do you care to state the dividends you pay and the surplus, to give us an idea of the business? They are public, I suppose?—A. No, it is not public. The corporation is strictly in the family.

Q. The stock is not on the market?—A. Not at all. No stock has ever been sold. It is simply with the children.

Q. We do not want to insist upon knowing your private affairs.—A. It would be. There are no outside stockholders at all; it is simply in the family. It is just the same as a copartnership, only my father's share is divided up. It was done to divide up his estate.

Q. But it is a chartered company?—A. Yes.

Q. (By Mr. Litchman.) Does your company make returns to the State Department?—A. We never have of dividends. It has never been called for.

Q. Have you made a statement of your receipts and expenditures—a balance sheet?—A. We make report to the bureau of industrial affairs, State of Pennsylvania.

Q. Have you any objection to giving us that?—A. I haven't it with me.

Q. Can you supply it?—A. Yes.

EFFECT OF NATIONAL COMPANY'S FAILURE ON PRICE OF TWINE.

Q. (By Mr. Farquhar.) What effect on prices of twine did the failure of the National Cordage Company, in 1893, have?—A. It depressed the price as nearly as I can remember. I believe they had quite a surplus of twine, and the twine business had a sort of lull at that time.

Q. Did the most of you carry over stocks to the succeeding year, or did you keep on manufacturing?—A. We kept on manufacturing, but we curtailed.

RELATION OF CROPS TO MANUFACTURE OF TWINE.

Q. Did the trade get over that in one season or did it go into two seasons?—A. As nearly as I can remember it took at least two seasons to overcome the effect of the "bankers' twine" and the surplus thrown on the market; and if I remember correctly, the crops were not large, and of course that governs us in binding twine. If we have an exceedingly large crop, we are rushed on twine; but if we have a small crop, we feel the effects right away.

Q. That failure, then, made no permanent impression? It was simply incidental to the trade?—A. It had its effect on the trade for awhile; but in this country it will take more than that to leave a lasting impression. Of course, I have no figures at all. I never saw any of their statements.

CORDAGE INDUSTRY ASKS ONLY FOR EQUAL RIGHTS—INJURIOUS COMPETITION OF PRISON MILLS.

Q. (By Mr. Phillips.) Perhaps you can give us some information voluntarily that we have not covered.—A. In what respect?

Q. In any respect regarding the industry that you think would be of interest or of benefit to the commission. We would be glad to have your voluntary statement.—A. Well, as far as we are concerned, all we want is equal rights—not to have any

advantages in any way; no legislation in favor of one state against another, but give us the same rights all through the country. I do not know whether I am going to say anything I ought not to, but there is something now under way that would eventually be a detriment to the twine business with free labor. That is the prison mills in Minnesota. They have there a mill that manufactures binder twine with prison labor—convicts. I do not think that is going to help the free labor any.

Q. (By Mr. Tompkins.) Where is that?—A. Minnesota. They have a prison twine mill there; also one in Kansas and in South Dakota.

Q. What would you suggest in connection with that?—A. I should not like to suggest anything, but I would say that it affects the output of the free mills because they naturally take their place in the market. The twine made may or may not be as good, but every ball or pound they sell is that much less for the free mills to make.

THE TARIFF SHOULD BE LEFT ALONE.[1]

Q. What do you think about the tariff? Would an increase or decrease of the tariff do you any good?—A. I think, leave the tariff alone. I think the competition to-day between the different manufacturers about as severe as it can possibly be. The only thing is that the foreigners work cheaper, and there we want to be equalized. We have, I believe, a cent a pound on rope, but free raw material—that is right. It is not enough to enable any trusts or independent manufacturer to carry prices to extremes. I do not think it should be any cause of dissatisfaction either to protectionists or free traders. It is not serious.

REMOVAL OF TARIFF WOULD PREVENT TRUSTS—BUT MIGHT DESTROY THE INDUSTRY.

Q. (By Mr. Litchman.) One of the frequent arguments for the destruction of the trust is to repeal the tariff. Now the National Cordage Company or its successor comes within that category. You do not believe it would be wise to take off the tariff on rope in order to reach that trust, do you?—A. Of course I might look at it from a different standpoint. I believe that if you remove that one cent a pound no trust would exist in this country.

Q. Would any manufacture exist?—A. Not unless our labor would compare with the English, German, or French. And if they start this mill they speak of in the Philippines, with coolie labor and Chinese at 10 cents a day, with equal rights to enter our ports, where are we?

Q. You think it would be a disadvantage to your interests to have a factory established in the Philippines?—A. Unless conditions are equalized.

Q. How far will freight charges tend to equalize the conditions?—A. It might be possible that hemp and rope would equalize each other. Possibly, it would be about the same freight. I am supposing it would be classified the same.

Q. Is not the hemp classified as a commodity, whereas the rope may be classified as a finished product at a higher rate?—A. I do not believe they have ever brought in enough to furnish any good answer to your question. I do not know.

Q. You would let the tariff alone?—A. As I say, if they will leave us alone we are all right. There is no extreme tariff anyway.

Q. It has been testified before the commission that the removal of the tariff would admit into this country the product of foreign rope manufacturers. Is that your opinion also?—A. Yes; I believe they would hurt us very much. They would bring in rope that would take the place of our products.

A MANUFACTORY IN PHILIPPINES MIGHT EFFECTIVELY COMPETE WITH UNITED STATES PLANTS.

Q. (By Mr. Phillips.) You have spoken about the manufacture in Manila or the Philippine Islands. Now, could the manufacturer compete in the many kinds of rope wanted here? Don't you have special orders for special kinds?—A. I am presuming that they have intelligence out there, and run a mill on a proper basis. From that standpoint they would eventually meet the requirement and possibly carry a stock here. At first, of course, they would have to be educated.

Q. The point has been made before us, that we would not fear them so much because there are so many special orders, and such long distances would interfere in filling them?—A. If I were carrying a stock in a foreign country I would study their wants, and my representative would carry the proper stock.

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[1] See pp. 115, 136, 141.

COMPETITION WITH YUCATAN SISAL.

Q. Do you know anything about the manufacture of sisal rope in Yucatan?—A. I have heard something about it.

Q. It has not come in competition with your product?—A. They bring in binder twine and it interferes in a sense. I do not think they make much rope yet, but they are large manufacturers of binder twine.

CHIEF MARKET FOR ROPE IN UNITED STATES.

Q. Where is your chief market for rope in this country?—A. Along the borders of lakes and large rivers—the coasts—wherever there is any large shipping.

Q. Do you manufacture a very considerable amount that goes to the oil country for gas and oil wells?—A. Yes, we do.

Q. That is a considerable market for rope?—A. It is; but it varies very much. If oil is up, we are all right; if oil is down, nobody wants rope. Therefore it fluctuates to a great extent.

(Testimony closed.)

WASHINGTON, D. C., *April 19, 1901.*

TESTIMONY OF MR. JOSEPH G. TAYLOR,

Secretary-Treasurer of the Standard Rope and Twine Company.

The commission met at 10.55 a. m., Chairman Kyle presiding.

Mr. Joseph G. Taylor, of New York City, secretary-treasurer of the Standard Rope and Twine Company, appeared as a witness, and being duly sworn, testified as follows:

Q. (By Senator KYLE.) Give your full name and address to the stenographer, please.—A. Joseph G. Taylor, secretary-treasurer of the Standard Rope and Twine Company, 17 State Street, New York City.

Q. (By Mr. JENKS.) How long have you been engaged in the cordage business?—A. About 14 years.

Q. What other companies have you been connected with besides the Standard Rope and Twine Company?—A. The National Company and the United States Company.

Q. What positions did you hold in those companies?—A. Well, of course, they varied considerably. I rose from the lower ranks to the higher ones. I started with the National Cordage Company in a junior clerical position, and about four years previous to the failure of that company, in 1893, I had charge of the hemp, particularly of hemp contracts.

Q. You had charge of the importations?—A. Yes, principally.

Q. I suppose that in your present position as secretary-treasurer you have quite different lines of work?—A. Oh, yes; of course. With the National Cordage Company the importation was a very large branch of the business, and a very important branch.

Q. What special part of the work did you have in the United States Cordage Company?—A. Well, in that company I was a sort of right-hand man to the controller-general.

OBTAINING RAW MATERIAL FOR CORDAGE AND BINDER TWINE.

Q. You spoke of being in charge of the hemp department. Where does most of your material come from?—A. The manila hemp comes from the Philippines exclusively. The sisal hemp comes from Progresso, Mexico.

Q. About how long does it take to get hemp here from the Philippines?—A. By steamers 60 days; by sailers, 4 months.

Q. Where do you make your contracts ordinarily, with dealers in Manila or in London or with dealers on this side?—A. With agents of Manila and London houses here.

Q. You do not deal directly with the houses in Manila; you deal only through their agents here?—A. Only through their agents.

Q. Are any of these Manila houses American houses, or are they all English houses?—A. I think there is one that is an American house, Warner, Barnes & Company.

Q. Are the others English?—A. Yes.

Q. When you are buying your material for cordage and for binder twine, do you have to buy ahead with reference to the season's supply?—A. Oh, yes; decidedly.

MANUFACTURE OF BINDING TWINE PRACTICALLY IN THE HANDS OF THE MANUFACTURERS OF MACHINERY.

Q. I suppose there are special seasons when the binder twine is particularly in demand?—A. Binder twine has practically gone out of the rope manufacturers' hands. That was formerly a part of their business, but there seems to be so much money in the machine business lately that the manufacturers of machinery can afford to make binder twine and give it away; so that the rope manufacturers of to-day are practically out of the binder-twine business.

Q. Is the binder-twine business largely in the hands of the manufacturers of harvesters?—A. Yes.

Q. Who are the leading manufacturers of binder twine?—A. The Deering and the McCormick's, both of Chicago.

Q. You manufacture considerable sisal?—A. Oh, we did; and we manufacture some now, but not extensively.

Q. About what percentage of your output is binder twine?—A. That varies. Three years ago we made 15,000 tons.

Q. What has been your output lately?—A. We made 5,000 tons last year, and probably will make 4,000 tons this year; but we are not in the market for binder twine. Of course, we are always in the market if there is anything in it, but for the last 2 or 3 years there has been so much money in the machines that those manufacturers can afford to manufacture twine and sell it for barely cost.

Q. Do you think the eastern manufacturers will give up the manufacture of binder twine?—A. They will never give it up; they have always the ability to make it, and so long as there is anything in it they will make it.

PLACING THE OUTPUT OF BINDER TWINE IN THE HANDS OF THE JOBBERS.

Q. At what time of the year is binder twine put into the hands of the jobbers?—A. Well, the situation has changed a great deal in that respect. Jobbers used to handle the binder twine. At present the machine men's agents have the sale of binder twine, and they sell it on such a close margin that jobbers will hardly touch it at all. But two or three years ago it would be put into the hands of jobbers or agents in March or April.

Q. Was practically the whole season's supply formerly put in the hands of the agents or jobbers?—A. No; but tne majority, 50 or 65 or 75 per cent, was put in the hands of jobbers and was not sold by manufacturers. The manufacturers would sell maybe to the beginning of the harvest season, June and July.

SEASON FOR THE PRODUCTION OF BINDER TWINE.

Q. Then has it been the custom to stop the manufacture of binder twine until the following season?—A. Until November or December.

Q. When do the plants ordinarily begin to manufacture binding twine?—A. It depends on the section of the country. In Texas, of course, it is early; in the Northwest it is later; in the Dakotas it is later.

Q. How is it ordinarily in your company?—A. Whenever we are in the business we manufacture for all the sections, and in some sections we usually ship early, and some late.

PROPORTION OF MANILA AND SISAL HEMP USED IN MAKING BINDER TWINE.

Q. Is the material of which this binder twine is made chiefly sisal or manila hemp?—A. Well, there again the conditions of the last two or three years since the war with Spain have changed entirely. Before the war with Spain there was about 60 per cent sisal and 40 per cent manila used. Last year on account of the extremely high prices there was not 5 per cent of manila used in binder twine. About this time last year—and this is the season for manufacturing—manila hemp was selling between 13 and 14 cents a pound, which made the binder twine sell about 15 or 16 cents. And sisal was 7 or 8 cents a pound.

TIME OF SHIPMENT OF HEMP SUPPLY FROM THE PHILIPPINES

Q. About what time in the year is this hemp cut in the Philippines and shipped from Manila for the manufacture of ropes?—A. Practically all the year round; there is a little less during the rainy season in August and September.

Q. What time would the hemp be shipped from the Philippines so as to be manufactured here in March and be placed in the hands of the dealers in April?—A. Are you talking about normal conditions, or the abnormal conditions that have existed in the last two or three years? Since the war with Spain everything has been upset.

Q. Let us speak of the normal conditions first, and then take up 1898, 1899, and 1900.—A. In normal conditions you would buy in April for May and June shipments from Manila. There is always a latitude of two months allowed the shippers to enable them to get their stock.

Q. Would the hemp so purchased be in your hands to manufacture for your sales next summer?—A. Yes; it would arrive here in August or September.

Q. And you keep on buying during the summer for the consignments to be shipped in December?—A. We should practically buy that far ahead all the time.

Q. As your sales come largely in the spring of the year, do your shipments of manila hemp in the same way come largely in certain months? For example, your chief manufacturing is, I suppose, done in January, February, and March. Are you in the habit, then, of buying much more largely in the summer for delivery next fall, or does it all depend upon the state of the market?—A. We generally try to keep about 60-days' supply on hand, average about our monthly consumption, and have that amount coming forward.

CHANGING FROM MANUFACTURE OF BINDER TWINE TO ROPE, AND VICE VERSA.

Q. Before last year were you in the habit of turning your manufacturing establishments more to the production of binder twine during the winter months in order to meet the following summer's demand, and then turning more to the other kind of cordage during the summer?—A. No; the ordinary cordage mills are made up of a certain number of spindles for rope and a certain number for twine, and they can not run more spindles on rope or more on twine than a certain number. But for the economical operation of the mill we generally keep a small number of spindles on the binder twine through the winter months and then increase them and go off rope as much as possible as the season advances.

Q. So that you manufacture most of your binder twine in what month?—A. We manufacture most binder twine about May and June.

Q. For use during that summer?—A. Yes; practically, since the binder twine business is largely dependent on harvesting and on good crops. If there is a good crop the old machines are turned on during May and June and July, and probably we will leave rope out entirely. In August and September we generally put all the machines we possibly can on rope. Then, when we get along to December and January we would put some spindles on binder twine and gradually increase the number of spindles on binder twine and take them off rope.

Q. Was that true several years ago, when you were selling the twine to jobbers largely?—A. Yes.

Q. I understood you to say earlier that you formerly put the bulk of the stock in the jobbers' hands in April, May, and June?—A. Well, the bulk of the stock would be made before May, because that is five or six months' production.

CHANGED CONDITIONS IN PRODUCTION ARISING FROM AFFAIRS IN THE PHILIPPINES.

Q. Now, will you tell us about the manufacture during 1899 and 1900, with reference to the conditions in the Philippines?—A. Of course, conditions were very erratic. The manufacturers did not want to be caught with a large supply of hemp on hand, fearing that the ports would be open. They did not want to have a short supply on hand, fearing that the ports would be closed.

PERIOD WHEN PORTS WERE CLOSED—RESULTS OF CLOSING PORTS.

Q. How long were the ports closed?—A. They were closed twice. They were closed once for three or four months. I forget the exact dates, but I think it was about August, 1898, and then again about July and August, 1899.

Q. And then they opened the last time in the latter part of 1899?—A. Yes.

Q. Now, what was the result of the closing of the ports in 1899?—A. Why, it stopped supplies entirely and prices went up with very great rapidity.

Q. The supply for the market of 1900—that is, for the summer of 1900—would have to be made largely from manila bought during the fall of 1899, would it not?—A. Yes.

Q. So that when the ports were opened about the 1st of January, 1900, that did not affect the supply for the summer of 1900?—A. It did not affect the supply, but it affected the prices considerably, because no hemp being in sight the price advanced. Dealers were holding up on what they had.

Q. They put the prices up for fear of a short supply?—A. They did not want to use what they had for fear that they would not be able to replace it for some time in the future.

Q. The hemp that you were manufacturing from during the winter of 1900 for the summer of 1900 had been bought the preceding season?—A. Oh, certainly.

Q. And the manufacturers simply put up the price for the season of 1900?—A. They did not know where they would get a new supply from.

Q. So that the quantity which they had bought up was purchased more cheaply?—A. Oh, certainly.

Q. And the manufacturers had a chance to make profits?—A. Oh, yes; we had two vessels, each with 8,000 bales on it. The profits were $150,000. But then that was wiped out by the very radical decline as soon as the ports were open. Then we had large stocks of raw material on hand and the price went down.

Q. As a matter of fact, did the loss that followed the opening of the ports exceed the profits made by the advance?—A. Yes.

Q. Did the price of binder twine fall very materially after the ports were opened?—A. Yes; it went down from 11 cents to 7 in the fall of 1899.

PROPORTION OF MANILA AND SISAL HEMP IN BINDER TWINE.

Q. (By Senator Kyle.) That was manila twine?—A. Binder twine made of manila. Manila is used in different proportions. There is manila binder twine made of half manila and half sisal, and there is one made of one-quarter manilla and three-quarters sisal.

PRICE OF MANILA HEMP AS AFFECTING PRODUCTION AND PRICE OF SISAL.

Q. (By Mr. Jenks.) Is the proportion of manila enough so that it is decisive in fixing the value of binder twine? I understood you to say that, especially of late, sisal had been used in so much larger proportions that perhaps the price of manila hemp did not affect the product.—A. The actual use of manila hemp does not affect it, but manila affects sisal in this manner, that just according to how strong the position of manila is, the sisal market is sympathetically strong irrespective of the intrinsic value of sisal hemp. If manila is strong, sisal is strong too.

Q. The war conditions would not affect the manufacture from sisal except as to price?—A. Only in that way. Of course, in so far as the consumption of manila for binder twine or rope is reduced, to that extent the sisal takes its place, and consequently the greater is the demand for sisal and the higher is its price.

LABOR COST IN THE MANUFACTURE OF CORDAGE.

Q. What is the labor cost in the manufacture of rope and twine, and how much of the cost represents the raw material?—A. The actual labor cost for cordage is about one cent and a quarter a pound, and then there are your taxes, insurance, interest on your money, and all sorts of conditions, but the usual mode of rough reckoning is to say 2 cents a pound.

Q. And then the rest of the cost depends on the price of raw material?—A. Yes.

PERCENTAGE OF LOSS OF RAW MATERIAL IN MANUFACTURE OF CORDAGE.

Q. About what percentage of loss or shrinkage is there in making a ton of ordinary standard manila rope?—A. With manila, about 4 per cent, and sisal about 8 per cent.

CORDAGE BUSINESS ENTIRELY SPECULATIVE—PROFIT DEPENDS ON PRICE PAID FOR RAW MATERIAL.

Q. From these circumstances, with the raw material forming so large an element of the cost, is the cordage business made speculative to any material extent?—A. Entirely so.[1]

Q. Your profits or losses are dependent largely on your buying?—A. I have had an experience of fourteen years. Since the National Cordage Company was formed I have

[1] See pp. 120, 139.

had no immediate charge of mills in this country. My information is from the figures of those who are manufacturing cordage. Now, with that information in my mind, I am absolutely positive that in the last five years there is not a manufacturer in this country who has made a dollar on the actual manufacture of cordage. He may have made money on speculation in hemp, and by chance from having a stock on hand when the advance happened, but from his actual manufacturing business there is not a manufacturer who has made a cent.

POSITION OF CORDAGE MANUFACTURERS WITH REFERENCE TO CLOSING PHILIPPINE PORTS.

Q. What was the situation as regards the business at the time of the closing of the ports in the latter part of 1899? Generally speaking, did the manufacturers have enough hemp on hand so that they made considerable profits from the rise that came after that?—A. We had. Our report shows that we made $233,000 above the interest on our bonds.

Q. So that really the closure of the ports was a benefit to you?—A. To us it was, and I suppose it was correspondingly to the other manufacturers, because business was going along smoothly and uniformly and they naturally kept a supply of hemp on hand.

Q. Was there any reason why the cordage manufacturers should have been anxious to have the ports open then?—A. Well, there was and there was not. In fact the Boston contingent and the Eastern concerns wanted them closed.

Q. That is, the Plymouth people?—A. Yes. We wanted them open, and I believe that the Boston people as well as ourselves were in communication with the Secretary of War, but on different lines.

Q. They wanted them kept closed and you wanted them open?—A. Yes. Well, you see it does not make any great difference to a cordage manufacturer; but when the price is low his proportion of profit is greater than when the price is high. It costs just the same to manufacture rope when hemp is 4 cents as when it is 14 cents, but the amount invested in his business is three times greater, but there is no more profit.

Q. Does it make a difference in the amount that you can sell whether you charge high or low prices?—A. That is what I say, the low prices are better for the manufacturers.

Q. The demand will then remain larger, and you can really have a large market with the capital invested?—A. Yes.

Q. Now, what was the difference in interest between the Boston people and your people regarding the closure of the ports?—A. I suppose they had a big supply on hand and we had a short supply on hand, and they wanted the ports closed to keep the price high. I attribute a good deal to the philanthropy idea and to the cry about Aguinaldo!

Q. What was your situation?—A. We were just as patriotic, but we wanted the price down.

HIGH PRICES OF PRODUCT ARE DISADVANTAGEOUS TO MANUFACTURERS.

Q. You had too large a supply of hemp on hand?—A. No; it was for the general benefit of the business. No manufacturer wants high prices. It is not business. We can sell more goods when prices are low; but when prices are high, you will always find in every business, I do not care what it is, that something else will come in as a substitute to take the place of that class of goods. Since the price has been 7½ cents a pound for sisal rope there has been I should say at least 10 to 15 per cent of substitutes, such as jute.

Q. Well, if you had had a large stock of hemp on hand that you had contracted for, I should suppose you would want to keep prices up for awhile longer instead of being urgent about getting the ports open?—A. I only know we wanted them open. Whether under different circumstances we would want them closed I do not know.

REASON FOR THE FAILURE OF THE NATIONAL CORDAGE COMPANY.

Q. Let us consider for a moment your different positions. You spoke of being with the National, the United States, and the Standard Rope and Twine Company. Will you sketch briefly the cordage situation as it appeared to you at the time of the reorganization of the National Cordage Company into the United States, and then from that again into the Standard Rope and Twine Company? What were the reasons that led to the failure of the National Company?—A. Lack of money, that was why they failed.[1]

[1] See pp. 118, 130.

Q. Was there a speculative element in the matter? Was there any special reason why prices fell so that they needed to have large sums of money?—A. I do not swear to the truth of this, but in my opinion the formation of the National Cordage Company advanced prices much more than their intrinsic value, and by not having sufficient capital to continue the business as they wanted to, and control the business, which they were unable to do, the National Cordage Company failed, and consequently prices assumed their proper level.

Q. You think, then, they had been pushing prices really higher than the conditions of business would warrant?—A. Why they put up the price of hemp to something like 15 or 16 cents a pound.

Q. When you say they put up the price of hemp, you mean to say they had control of the market?—A. They were the only buyers.

Q. If they were the only buyers, why did they not put prices down?—A. They did not want them down.

Q. I thought you said manufacturers made more money when prices were low?—A. This was a combination, a combination that controlled everything.

PERCENTAGE OF MANUFACTURERS INCLUDED—MANUFACTURERS' AND MANUFACTURING ACCOUNTS.

Q. How large a percentage of the manufacturers of the country did they get together?—A. They got practically all with the exception of the Plymouth and Fitler companies.

Q. I understood you to say that at that time you were in a position to see the accounts of practically all the companies?—A. The manufacturing accounts, yes.

Q. Do you make a distinction between manufacturing accounts and manufacturers' accounts?—A. Oh, decidedly. By manufacturing accounts I mean the mill accounts of pounds of manila hemp that go in and pounds of product that come out.

Q. Did you have any information as to whether the manufacturers were making or losing money?—A. No, because in the cordage business the price of hemp is not taken into consideration in mill accounts. The mills are given a certain amount of hemp with which to turn out a certain amount of rope.

SAVINGS WHICH THE COMBINATION EFFECTED IN PRODUCTION.

Q. Was the National Cordage Company able to make any material saving in the cost of manufacture?—A. Yes; I think they did. I am pretty sure they did by the organized equalization of manufacturing—by knowing the different methods that were applied in each mill and correcting them to the best possible method that was applied in any mill.

Q. Were they able to save materially in freights by shipping from the nearest plants?—A. Oh, decidedly.

Q. Can you give any instances?—A. Now, that is entirely out of my line. I know they always claimed, and the person that had charge of the freight business has always claimed, that they did make a large saving.

REORGANIZATION—FINANCING OF THE NATIONAL, UNITED STATES, AND STANDARD COMPANIES.

Q. Let us take up the question of the present company that you are connected with. Will you tell us the general plan of the organization of the Standard Rope and Twine Company? State the amount of securities, the form of securities, and the way in which the company was financed.—A. In the National Cordage Company there was $3,000,000 of first-mortgage bonds, $7,500,000 of income bonds, and $12,000,000 common stock. That makes $22,500,000. In the United States Cordage Company there was $8,000,000 of guaranteed stock, $6,000,000 preferred stock, $20,000,000 common stock, and $7,500,000 of bonds. That makes $41,500,000. In the reorganization into the Standard Rope and Twine Company the stock was reduced to $22,500,000. The first-mortgage bondholders of the United States Cordage Company gave up their bonds for par in income bonds of the Standard Rope and Twine Company. The guaranteed stockholders paid an assessment. I think the guaranteed stockholders paid an assessment of $20 a share, preferred $10, and the common $5; and then they got the value of their assessment in bonds, 80, 40, and 20 per cent—80 for guaranteed, 40 for the preferred, and 20 for the common—in new securities, making up the $12,000,000 common stock.

Q. Did the Standard Rope and Twine Company take over all the properties of the United States Cordage Company?—A. The reorganization committee did.

Q. And then did they turn all the properties over to the Standard Rope and Twine Company?—A. They turned over the cash and some property. Some properties they sold, and after deducting expenses turned over the balance to us.

Q. Are we to understand that the capitalization was thus intentionally made less in order to lower what was believed to be overcapitalization?—A. Decidedly.

PERCENTAGE OF CAPITALIZATION WHICH REPRESENTS TANGIBLE ASSETS—PER CENT WHICH IS GOOD WILL.

Q. On the basis upon which the company is organized now, is there any intention of holding the capitalization down to the actual value of the tangible assets? Are your bonds, stocks, and so on supposed to represent the value of the tangible assets?—A. No doubt about the first mortgage bonds, and of course in the reorganization agreement there is a sinking fund; or, under the terms of the bond issues there is a sinking fund to retire 1 per cent of the outstanding bonds every year. Now, as far as the stock is concerned, I think it is only keeping alive an equity that the other people have in the interests.

Q. So you would say that the plants, or the tangible assets of your establishment would represent fairly your mortgage bonds?—A. Decidedly that.

Q. And the capital stock of $12,000,000 is practically all to be considered good will?—A. Of course, the trouble in answering a question of that kind is, what is a mill property worth if it is not running? We have to look at its earning capacity. I think the value of the machinery, the buildings, and real estate of the working plants alone are worth the value of the first mortgage bonds on a fair valuation. Now, the other properties that are outside of that, and the good will, and the productive capacity of those mills, while I do not suppose it is worth $12,000,000, it is worth—well, something.

PLANTS OWNED BY THE STANDARD COMPANY—PERCENTAGE OF SPINDLES OPERATED.

Q. How many plants do you have altogether, running and not running?—A. Three running and 6 not running; 9 in all.

Q. What proportion of the spindles that you own are running?—A. Practically about half—about 50 per cent.

Q. How long have you had those 6 plants closed?—A. Well, 1 has been closed two years, and 3 of the others have not been operated since 1893. The one that has been closed was the one that practically bankrupted the United States Cordage Company, and that is the Pearson mill—purely a binder twine mill, and it was run for the McCormick people.

Q. I wish you would explain a little more in detail how that practically bankrupted the United States Cordage Company.—A. When the United States Cordage Company was formed they did not have the Pearson mill, and there was a proposition made whereby the Pearson mill was for sale, and they bought it and paid $900,000 for it. They had a number of mills then idle that were not running, and they did not have $900,000 to spare.

List of mills owned by Standard Rope and Twine Company, with location and spindle capacity.

	Spindles.
Pearson mill, Roxbury, Mass.[1]	800
Sewall & Day mill, Allston, Mass	750
Waterbury mill, Brooklyn, N. Y	596
Morgan avenue mill, Brooklyn, N. Y	200
Chelsea mill, Chelsea, Mass.[1]	308
Standard mill, Boston, Mass.[1]	388
Boston mill, Boston, Mass.[2]	None.
Elizabethport mill, Elizabethport, N. J.[2]	None.
Wall mill, Brooklyn, N. Y.[2]	None.

AMOUNT OF BINDER TWINE MADE BY THE STANDARD ROPE AND TWINE COMPANY.

Q. About what proportion of the country's output of cordage is made by the Standard Rope and Twine Company at present?—A. That is very hard to answer. You see we have taken 65,000,000 pounds, or 32,000 tons, one year, and 35,000 tons another year. We are in the market, and when there is sufficient margin of profit in the binder twine business we go into it heavily. When there is not we leave it alone.

[1] Not now in operation.

[2] Buildings, real estate, and machinery in part only.

Q. Can you give a definite idea of the proportion of cordage made by your company last year as compared with the total output of the country?—A. I think we made about 40,000,000 pounds—20,000 tons.

Q. Can you give any estimate of what the entire output of the country was?—A. No; I am sure nobody knows. I am of the impression that the production has always been underestimated and the consumption overestimated.

HARMONIOUS RELATIONS WITH EMPLOYEES—WAGES.

Q. What have been the relations with your working men since the organization of the Standard Rope and Twine Company? Have you had any trouble with them?—A. No; our relations are very harmonious. We have the same men that we had 15 or 20 years ago.

Q. Have wages varied materially?—A. Very slightly. They are rather higher, if anything; but the majority of our help in the cordage industry is unskilled labor.

Q. About how much do you pay for ordinary unskilled labor? Does the pay vary in the different mills?—A. Oh, yes; and in the different sections of the country. In Boston it varies from Brooklyn.

Q. Do you have mills in the South?—A. No.

INCREASED SKILL AND EFFICIENCY IN MANAGEMENT THE CHIEF ECONOMIES FROM COMBINATION.

Q. In what way does your present organization make economies from the fact that you have a combination of different establishments? What economies, if any, can you make over one single large establishment?—A. I think there would be more economy in having one large mill under one roof. If you could have the information you get by combination you could effect the same advantages and the same economies without combining. You see what I mean? It is by the combination that you get the power or the ability to make the economies by putting into effect in one mill the advantages which have been proved in another.

Q. You would say, then, that the economies of combination were largely due to the increased skill and management that comes from associating?—A. Decidedly.

Q. You have no establishments in the central west?—A. No; not now. We did have.

Q. Would there be possible advantages in freight rates by having different establishments in different sections of the country united—enough advantage to make it worth while in your business?—A. That I do not know. I am not competent to speak on the freight question at all. I think the western manufacturers have the advantage of us in freight rates. I think we are discriminated against, but I am not sufficiently competent or informed to speak on that.

EFFICIENCY OF CENTRALIZED AS COMPARED WITH INDIVIDUAL MANAGEMENT.

Q. By bringing together different establishments under one centralized management, having your different mills managed by superintendents under central control, is anything lost in efficiency as compared with the independent mill managed by its owners? Have you any difficulty in keeping your superintendents up to the standard?—A. We do not have any difficulty, but it is a serious danger that must be carefully guarded against.

Q. What means do you take to avoid the danger?—A. We have a general superintendent, and we keep him up to the pitch by comparing results from one mill with results from another, and by insisting on the reasons why some mills are not giving the same results as others.

Q. You think on the whole that plan takes the place of the individual manufacturer on whom everything depends?—A. Of course I do not know about that. I think myself I could look after my own individual business better than I could look after a dozen people's business that was given into my charge. When a man owns a mill he is likely to go around and look after things. The mill is his pet. He takes care of it. He asks what is this waste for and what is that waste for, whereas the general superintendent is getting his money—getting his salary and all that sort of thing, and he is not likely to be so careful in that direction. But on the other hand he must show good results.

NO COMMISSIONS PAID SUPERINTENDENTS—CONSIDERATIONS WHICH ENTER INTO THE FIXING OF THEIR SALARIES.

Q. Have you attempted to stimulate the care of your superintendents at all by paying them a commission?—A. No; we have not. I do not believe in it. It might work to the detriment of the quality of the goods.

Q. In your business, do you sometimes find it necessary to put orders in one mill and take them away from another, and so on? If so, would it not be unfair to the superintendents to make their pay dependent on output?—A. That is taken into consideration. Some mills have well-known brands. The Sewall-Day at Boston has a well-known brand. Some people will have that brand, and we may run full on that. Again, on some classes of goods there is more profit than on others, and all these things are taken into consideration and an allowance made.

NATIONAL CORDAGE COMPANY DID AWAY WITH SALES AGENTS.

Q. Do you sell to the larger jobbers or direct?—A. We do sell through jobbers, but largely direct.

Q. When the National Cordage Company was organized was there any material saving made in the cost of distribution from the fact that they could do away with traveling men and commission men?—A. When the company was formed they did the business of the Deering and McCormick people, and they used to ship train loads of binder twine—28 cars at a time—and they did nothing in a small way. It was practically all jobbing. They did not have any sales agents whatever.

THE STANDARD ROPE AND TWINE COMPANY SELLS THROUGH THE UNION SELLING COMPANY.

Q. The present organization does not run on that basis?—A. The present organization markets its own goods through what is known as the Union Selling Company.

Q. Will you please explain that organization and your relation to it?—A. It was formed to market our goods. We consign all our goods to them, and do not sell through anybody else. They have established agencies in different sections all over the country—at Omaha, Cincinnati, Chicago, Indianapolis, Boston, Austin—twenty-six or twenty-seven agencies.

Q. Do they act simply as your agents or do they buy your goods?—A. They do not buy; they act as our agents, and they employ in the branch establishments from one to four salesmen, as the case may be.

Q. Do they take the product of anybody else?—A. No; exclusively for us.

Q. The company is practically your company except that it is technically and legally separate?—A. Yes.

Q. Made up by substantially the same stockholders?—A. Not the same stockholders. Some men are stockholders in both companies. We simply formed the company for the benefit of getting to the small trade direct.

THE STANDARD COMPANY IS REPRESENTED IN THE CORDAGE ASSOCIATION.

Q. Is your company represented in the Cordage Association?[1]—A. Yes; our company is represented in this way: While we wanted to be represented, we did not want to be governed in any way.

Q. Do you understand that any of the members of that organization are governed?—A. No; not governed. But we did not want to be bound in any way. For the benefit of the industry and for the correction of any abuses that might exist we were perfectly willing to belong to the organization; and it is a benefit, a great benefit, to the industry.

Q. You still regularly send representatives to their meetings?—A. O, yes; we are in harmony with everything they do.

NATURE OF CONTRACTS FOR PURCHASE OF HEMP—SERIOUS DEFECT OF SAME.

Q. We were told the other day that the association had attempted to secure some changes in the forms of contracts that were made in buying hemp?—A. Yes.

Q. I wish you would tell us the nature of those contracts, and what means you would suggest to improve that part of the business.—A. Well, in buying manila hemp at the present time, we make contracts for goods of a certain quality, which qualities are guaranteed. There is a clause in each contract that if the hemp be inferior to the quality guaranteed the contract is to be subject to arbitration—that is the usual form of contract. The hemp comes in and if it is inferior the contract is arbitrated and you take the hemp with the allowance. Now, that has worked in the last 3 or 4 years to the marked injury of the manufacturers. There has hardly been a consignment of hemp above the grade of current shipped in that has not been subject to allowance. The consequence is that manufacturers order the quality of hemp they desire and then they get something they do not want and have to go on the market again. For instance, I was in Europe in December, and I bought a parcel of hemp

[1] See pp. 120, 135, 148.

there, good current hemp. It was a quality we wanted very badly. At the market price then there was a difference between the good current hemp we wanted, and current hemp, of a cent and a half a pound. When it came in it was inferior, and it was arbitrated and we got an allowance of a half cent a pound because the quality was between the current and the good current. Now that compelled us to take that quality, a little better than current hemp, when we could have bought current at a cent and a half a pound lower than good current. This feature of the contracts is worrying all the manufacturers of cordage.

Q. Who acts as arbitrator in cases like that?—A. The hemp brokers. Practically all hemp is sold through brokers.

Q. Do the parties select an individual broker for arbitrator?—A. The hemp is sold through a broker, and the broker who sells the hemp usually acts as the first arbitrator. Then if he says the quality is off, the seller and the buyer each appoints a man.

GOVERNMENT SHOULD ESTABLISH GRADES OF HEMP AND INSPECT SHIPMENTS.

Q. What would you suggest as a remedy?—A. In my mind there is only one thing that would obviate the trouble, and that is, since we have possession of the Philippine Islands now, for the Government to establish a standard of grades to represent the quality.

Q. You think that the War Department ought to establish an inspector in Manila?—A. Yes, decidedly. The United States Government in the Philippine Islands ought to be able to say under what particular quality a certain consignment of hemp should be classified.

Q. Your idea is to have the grades fixed by the Government, a Government inspector appointed, and the cargoes graded at Manila before they are sent out, so that the buyers would know what they were getting?—A. Yes.

MANUFACTURE OF BINDING TWINE BY THE DEERING AND M'CORMICK COMPANIES.

Q. (By Mr. Farquhar.) You speak of the large amount of binder twine that the Deering and McCormick companies use. Are those two concerns now manufacturing their own binder twine?—A. Yes.

Q. Where are their mills situated?—A. Chicago.

Q. So they have combined binding twine with the manufacture of agricultural machinery?—A. Yes.

Q. Do you know anything about the increase of binding twine mills in the West within the last few years?—A. I do not think there has been any increase in the number of mills with the exception of the McCormick mill; that is the only new mill, but I am pretty well satisfied that other mills have increased their spindles.

Q. Would you say that the establishment of mills by concerns such as the Deering and McCormick companies does not injure the cordage trade of this country much, because there is not much money in it anyhow?—A. There would be more money in the business if they were not in it, so to that extent they injure it. It is not generally for the benefit of one industry for another man who is making money in one branch to go into another line and sell there at a reduced cost.

Q. Was there much money to your concern in binding twine when the McCormick company commenced manufacturing for themselves?—A. No; I do not suppose there was much money in it.

PRISON MANUFACTURE OF BINDING TWINE.

Q. Do you know anything about the establishment of binding-twine manufacture in the Minnesota State prison?—A. I know of it.

Q. Do you know whether that matter has been agitated and discussed in other States also?—A. In Michigan, I think.

UNSUCCESSFUL ATTEMPTS TO USE SUBSTITUTES FOR SISAL AND MANILA HEMP.

Q. You spoke in your testimony also of the fact that when extremes prevailed raw material substitutes were used. Have you any successful substitutes for sisal or manila hemp?—A. No; none at all. There have been more or less attempts and experiments made, but it is a very hazardous proceeding. As soon as the substitutes are put in to cover a temporary situation the prices come down and then it is no good. Then, too, we are always hoping against hope that those great advances will come down.

PRODUCTION AND UTILIZATION OF AMERICAN HEMP.

Q. Is there any utilization in this country of the American products in hemp or substitutes for hemp?—A. They use largely American hemp for Russia. They use quite a good deal of Kentucky hemp. That is made into tarred goods for shrouding and things of that sort.

Q. Has there been an increase in the production of hemp in this country of late years?—A. The crop last year was not good, but there has been a large increase in the production of American hemp within the last 2 or 3 years. We have practically given up the importation of Russian hemp to the advantage of the American.

Q. As far as your knowledge goes, is it a paying crop to the American farmer?—A. Yes.

Q. And you would say it is a crop that is not confined particularly to certain sections or soils, but can usually be put in below a certain cold line?—A. Yes.

PROPER MODE OF SALE NOT THROUGH JOBBERS, BUT DIRECT TO CUSTOMERS.

Q. In the case of large concerns like your own, in the matter of economies in distribution, is it really better for you to sell to the general jobbers of the country, or to take up a distributing plan, such as you have in the Union Selling Company, to furnish your customers?—A. I think it is a good deal better to go to the consuming trade. It is much more expensive, but I think it is the only possible way to conduct your business properly. Then you do away with that element of risk where you have only one or two large concerns who buy a large amount of goods of you; and if they fail you are stuck for so much. Or if they have a disagreement with you, they will not take your product from you. Whereas if you go to the consuming trade you have a thousand and one customers. There is more labor, more work, and more expense, but you have the business actually in your own hands. Jobbers must go.

ELIMINATION OF THE MIDDLEMAN.

Q. Would you say it has been the evident policy and possibly the practice of all these great combinations to eliminate the middleman as much as possible?—A. No; I do not know. It has not been the policy of the most successful corporation—the Standard Oil Company.

Q. Possibly, however, the different conditions of manufacturing its output would make that difference?—A. Probably.

A. An article that enters particularly into a retail trade could not very well escape from the middleman?—A. No.

Q. Is it claimed and is it the expectation of many of the large corporations that if they could cut out the profits of the middlemen, part of that economy would go to the consumer?—A. Yes; I think it is.

Q. As a business man, would you say that the middleman, whether a broker, commission man, or immediate wholesaler, takes up an inordinate amount of profits between the manufacturer and the consumer?—A. No; I do not think he does.

Q. About what percentage ordinarily goes to the middleman in your business?—A. Well, under ordinary conditions, a jobber's commission in our business would be as a quarter of a cent a pound is to 6 cents; that is, about 4 to 5 per cent.

Q. Where the manufacturer reaches nearer the consumer is there more of the character of good will attached to the business itself than there would be in the case of a distributing concern where the manufacturer had no concern in it other than the results?—A. That is it exactly.

Q. (By Mr. A. L. Harris.) I understand you to say that where the middleman is dispensed with the consumer gets a portion of the benefit?—A. A portion, yes; naturally.

Q. Will you name an article that is manufactured by a large combination that has dispensed with the middleman where the consumer is getting the benefit?—A. Rope.

Q. Any other article?—A. I do not know. I was only speaking of our own business. That is the only one I have knowledge of.

Q. Is not that an exception really instead of the rule?—A. I should imagine it to be the rule. A man can afford to split what he has to pay to the jobber.

ROPE HAS FLUCTUATED IN PRICE ON ACCOUNT OF PHILIPPINE CONDITIONS.

Q. (By Mr. Jenks.) What has been the course of prices of rope for the last 2 or 3 years?—A. From 5 cents to 15 cents.

Q. Has the price fluctuated up and down?—A. Yes; fluctuating practically all the time.

Q. Mainly higher for the last 2 or 3 years?—A. About an average of 9 cents a pound for manila.

Q. What has been the reason for the higher price?—A. The unsettled conditions caused by the Philippine war, which has had its effect both on sisal and manila.

ORGANIZATIONS OF LABOR AND CAPITAL HAVE NOT AFFECTED WAGES—ABSENCE OF LABOR TROUBLES.

Q. (By Mr. KENNEDY.) Has there been any organization of labor in your industry?—A. I think not, other than the engineers, etc., who belong to the regular organization. The majority of our hands are unskilled laborers.

Q. Is the skilled labor organized as a rule?—A. Yes.

Q. Is there any opposition to organized labor on the part of the management of the rope industry?—A. Not the slightest. We have never had any trouble with labor in the rope industry.

Q. Has organized labor had any influence in increasing or steadying the wages of labor?—A. I do not think it has ever had any effect either one way or the other in our business. In the course of my experience, which covers 14 years, I do not remember any labor troubles at all.

Q. Can you say whether or not the organization of capital has had any effect to either increase or decrease the wages in this industry?—A. It has not affected it either way.

THE COMMERCIAL VALUE OF GOOD WILL.

Q. (By Mr. PHILLIPS.) In combinations there is a great deal said about the good will in capitalization. Do you think that in a large combination the good will amounts to much—to any considerable sum?—A. I do not know what you would call a considerable sum. The Sewall-Day Cordage Company is one of our sub-concerns. We kept that organization alive, and last week, while in Boston, I could have sold the capital stock of the Sewall-Day Cordage Company, which represents a name only, for $100,000.

POPULAR GOOD WILL EXTENDED TO THE INDEPENDENT CONCERN RATHER THAN TO A COMBINATION.

Q. Is the good will of the public more likely to be extended to independent properties which spring up against a monopoly or against a large combine? Is the public more disposed to deal with an independent concern than with one that tends toward monopoly?—A. With an independent concern, decidedly.

Q. Then they lose the good will of the community at large by combining, do they not?—A. Not if they keep the individual concerns alive. There can be a combine without merging; purely as a big combination, I mean to say. The Carnegie Steel Company can still keep its name, though losing its identity.

Q. (By Mr. KENNEDY.) You make a distinction between commercial good will and popular good will?—A. Yes.

Q. (By Mr. PHILLIPS.) The popular good will, as a rule, goes to the independent concerns?—A. Decidedly not to the large corporation.

Q. Does not the independent concern have the good will of the public rather than the large combine, as a rule? It has been testified before this commission in the case of a combine that one reason they broke down was that the people patronized the ones that started up independently in preference to the combine.—A. I do not think it is a wise policy for any combination to obliterate the names of the individual concerns and the good will by any means. I think it is a wise policy to keep them as we do ours. The L. Waterbury Company, we keep that. We keep the Sewall-Day Cordage Company, which has a very strong reputation. If we called this mill No. 1 and that mill No. 2 of the Standard Rope and Twine Company, the identity of the plants would be lost, and possibly the good will also.

ECONOMIES THAT RESULT FROM A COMBINATION OF CORDAGE PLANTS.

Q. (By Senator KYLE.) I wish you would enumerate a little more particularly the economies resulting from the combination of those several concerns that you united into one—in other words, the purposes of association.—A. Of course, to start with, you have a smaller office staff of clerks, and you can do away with some head superintendents and under-superintendents. While in one mill you might have to have a very expert or a very efficient superintendent, you might get along with under-superintendents who were not so expensive, and have a general superintendent, as

we have, and accomplish the same result, or rather better results. There are a number of other economies that do not present themselves to my mind now, but they show in the pay roll cost.

Q. A reduction of about what per cent?—A. Well, I know we reduced the cost of two mills 10 per cent.

Q. And it is upon this ground that you formed the combination of the several concerns?—A. Now, I do not say that. I do not say anybody in the formation had that in mind or anything of that kind. I do not know that that was the reason for the formation.

Q. Actuated by purely business reasons?—A. Yes; and then by the combination the economies were made.

PERCENTAGE OF CORDAGE BUSINESS CONTROLLED BY THE NATIONAL AND STANDARD COMPANIES.

Q. I believe you made it clear that the National Cordage Company got possession of more than 50 per cent of the business of the country by the combination?—A. We had more than 50 per cent—more than 60 per cent.

Q. (By Mr. Jenks.) And your company now has probably one-third?—A. No; I should say about 15 per cent. My idea as to the consumption is more conservative than other people's in the business.

A TRUST IMPOSSIBLE IN THE CORDAGE BUSINESS.

Q. (By Mr. Kennedy.) Is it true that the conditions in this industry are such that it is impossible to bring about such a combination as will drive the independents out of business or force them into the combination?—A. You have seen the result of that in the United States Cordage Company. There will never be another combination in the cordage business. There may be an association, and I do not think there will be any money in the business unless there is some association or combination, or call it whatever you will, for the general betterment of the industry at large. There will never be another trust, or whatever you may call it, in the cordage business.

CONTROL OF RAW MATERIAL BY THE NATIONAL CORDAGE COMPANY.

Q. (By Mr. Farquhar.) By combination can you effect any economies in the purchase of raw material over the individual properties?—A. No; none whatever.

Q. (By Mr. Jenks). At the beginning did the National Cordage Company try to get special rates on raw material?—A. They put themselves in such a position that they were the only buyers. They wanted to control the hemp market.

Q. Did they for a time hold a decided advantage over the Plymouth and the Fitler companies?—A. Well, the Plymouth and the Fitler companies were more or less interested. There was an understanding with the National in connection with the hemp industry.

Q. So all three were practically together?—A. Yes.

Q. You are certain there was an understanding?—A. Oh, I know there was an understanding.

Q. May I ask what the source of your information is? Did you see the contract?—A. No; but we shipped hemp to the Plymouth and Fitler companies when I was with the National Cordage Company.

EFFORTS OF NATIONAL COMPANY TO SECURE CONTROL OF PLYMOUTH COMPANY.

Q. (By Mr. Kennedy.) Did the National Cordage Company go to extremes, or did it make extraordinary efforts to secure control of the Plymouth Cordage Company?—A. I think we had some of their stock; I do not really know how much. My information would come only from gossip, but I think some effort was made to get control of their stock.

Q. Did they keep a standing advertisement in the Boston papers offering much more than the value of the stock?—A. I do not remember that.

UNDERSTANDING BETWEEN CONCERNS AS TO PRICES—SUCH AGREEMENTS CAN NOT BE MAINTAINED.

Q. (By Mr. Phillips.) Have you had an understanding with a large majority of the plants engaged in the cordage business to sell at given prices?—A. That is what the cordage association is.

Q. That is what you are endeavoring to do now?—A. Yes; we do have a sort of gentlemen's agreement on prices whereby everybody is bound to live up to the prices, but they do as they please when it comes to the test.

Q. Have you found the difficulty in such agreements to be that some one would cut under?—A. I have never known it to fail yet.

Q. That is the rule when these understandings exist that some one will cut under the price?—A. They may not do it themselves, but through their agents they do it. They do cut. I have never known it to fail yet.

Q. Such an understanding has never been kept long in any industry?—A. Never. (Testimony closed).

EXHIBIT 1.

NEW YORK, *November 20, 1893.*

Circular No. 2 of the reorganization committee of the National Cordage Company, to creditors.

Proposed modified plan of settlement with creditors, involving the sale or transfer of all the assets of the National Cordage Company, and their application, in the first instance, to the payment of its debts. This also involves the purchase by the reorganized company of the eight security mills, the cancellation of the existing $6,000,000 mortgage on these mills, and the issuance of stock in lieu of the bonds secured thereby.

The reorganized company will be called United States Cordage Company

PROPOSED SETTLEMENT WITH UNSECURED CREDITORS.

Pay 25 per cent of the unsecured debt in cash by January 31, 1894. This will exhaust the unpledged merchandise and cash assets, leaving accounts receivable and other items to be disposed of as below:

Pay 65 per cent of the unsecured debt by January 31, 1894, in bonds at par of the United States Cordage Company (which shall be part of an authorized issue of $7,500,000 30-year 6 per cent gold bonds), secured by a mortgage on all the mills and realty, plant, machinery, good will, trade-marks, brands, and patents, acquired and to be acquired, also by pledge of all stocks of other cordage companies owned by the United States Cordage Company. These bonds will be dated January 1, 1894.

Pay 10 per cent ($875,581) of the face of the total unsecured debt and interest on the total unsecured debt in trust liquidation certificates, secured by a pledge of all the accounts receivable and other personal assets of the National Cordage Company remaining after providing for the 25 per cent payment in cash and the expenses of receivership and reorganization.

These pledged assets will be liquidated as rapidly as possible. The trust liquidation certificates will entitle the holder to his pro rata share of the proceeds of these pledged assets to an amount not exceeding this 10 per cent and interest.

These pledged accounts receivable and other personal assets are classified by the committee, as follows:

Slow, but considered good	$1,111,762
Slow and doubtful, of the face value of $1,851,076, but probably good for.	600,000
	1,711,762

SECURED CREDITORS.

The committee has arranged with a majority in value of the secured creditors, and expects to arrange with all secured creditors, for the gradual liquidation of their merchandise collateral, through the United States Cordage Company at prices to be agreed upon, and the acceptance of payment for their deficiency, if any, in these trust liquidation certificates.

We recommend the prompt acceptance of the above proposition. It is the best settlement of which the condition of the company permits.

GEORGE C. MAGOUN,
ERNST THALMANN,
GUSTAV H. GOSSLER,
Reorganization Committee.

To the creditors of the National Cordage Company:

The reorganization committee has submitted to us in detail a statement of the condition and affairs of the National Cordage Company which we have examined with care. We fully concur in the conclusions reached by the reorganization committee, as stated in its Circular No. 2, and we recommend to all creditors the immediate acceptance of the plan of settlement proposed. It is our opinion that this adjustment is not only most equitable and fair to all concerned, but also that it is the best that can be made under the circumstances.

GEORGE G. WILLIAMS,
President Chemical National Bank,
GEORGE S. COE,
President American Exchange National Bank,
W. W. SHERMAN,
President National Bank of Commerce,
Advisory Committee.

To the creditors of the National Cordage Company:

As receivers of this company we hereby concur in the recommendation for the adjustment of all liabilities of the National Cordage Company as proposed by the reorganization committee. In recommending the immediate and unanimous approval and acceptance of the settlement proposed, we do so in the interest of the creditors at large, and believing that in no other way they could expect to obtain as favorable a liquidation of their claims, as the liabilities of the company and its varied interests are too large to be adjusted favorably through any other procedure than through the proposed reorganization and adjustment.

E. F. C. YOUNG,
G. WEAVER LOPER,
Receivers.

Various changes in the very complicated affairs of the National Cordage Company which have taken place since June 21, 1893 (the date of our Circular No. 1), will prevent the receivers and the reorganization committee from carrying out the settlement then proposed. A new form of settlement is necessary, which, however, is believed to be a better settlement for the body of creditors than the one originally proposed.

The settlement now proposed means the application of all the assets of every sort, in the first instance, to the payment of debts.

This change in the form of settlement has become necessary for the following reasons:

The time for proving claims before the receivers expired on August 31, 1893, and on that date and since a number of claims were filed, including claims for breach of various contracts, such as leases, manufacturing, employment, sales, etc., not appearing on the books as liabilities, which swelled the demands against the company to a sum considerably larger than had been anticipated.

Moreover, a large number of debts, upon which the company was only contingently liable as indorser, and which, therefore, did not appear in the accounts as liabilities, and which were not expected to become liabilities, have become actual liabilities by the failure and default of the principal debtors.

A large shrinkage in both pledged and unpledged merchandise and other assets has also occurred through the unprecedented decline in the prices of fibers, rope, and twine, and this loss was made still greater by the fact that, after the receivers took possession, orders for twine, previously given to the company, were canceled to the extent of many thousand tons.

The financial depression also caused failure among the company's customers, which rendered numerous accounts slow, doubtful, or bad, which on June 21 were considered good and quick assets.

These facts and the maturing of certain underlying liens on various mill properties have increased the total debt by the sum of $1,609,374, and made it too large to be paid in bonds at 80, as originally proposed. For this reason no allotment has been made, and no liability has been incurred under the underwriting agreements by the signers thereof.

The underlying liens on the various properties are $1,385,000 on the Security Mills (now proposed to be purchased), and $728,000 on the Union Mills, in addition to interest on both items. About $456,000 of this sum must be paid this year, and is treated as a part of the present debt. To provide for these security liens, among other things, the authorized issue of bonds must be increased from $6,000,000 to $7,500,000. There is also a mortgage of $250,000 upon another of the company's mills which was contracted to be conveyed to it free of incumbrance, which amount the receivers claim from the vendors of the property.

On October 27, 1893, the receivers filed a detailed inventory, taken as of the date of June 30, 1893, being their first inventory. This shows assets appraised by them at $12,601,561, and liabilities as of June 30, 1893, of $11,650,617, and contingent liabilities of $1,039,826.

On September 30, 1893, another inventory was made, and a statement of assets and liabilities as of that date has been made up by Mr. Seaward, accountant of the receivers.

Until after the completion of this inventory of September 30, 1893, and until after an examination of the claims filed against the receivers and of the receivers' appraisements shown by their inventory filed on October 27, 1893, it was impracticable for the reorganization committee to formulate a new proposition for settlement.

In the meantime, however, the committee has used every effort to complete a plan of reorganization, the success of which depends upon a voluntary settlement by the creditors, but which will put the reorganized company in possession of property and business of much greater value than that of the present company before its failure.

While the changes above referred to have seriously diminished the proportion of quick assets to unsecured liabilities and have therefore correspondingly diminished the present paying capacity of the assets, nevertheless, the slow assets remain, and can be utilized in time and with judgment to the advantage of creditors, while the mills, plants, machinery, and good will of the reorganized company can be made available as valuable security for the bonds offered in settlement.

Mr. John Scott, on behalf of the committee, has carefully examined the work of the accountant above referred to, as well as the claims filed and the allowances which the committee thinks will be made, and advises the committee that, subject to future proof of claims not now known or anticipated, and subject to possible variations resulting from the receivers' allowance or disallowance of claims proved, the following figures are correct as of September 30, 1893:

ASSETS.

Real estate, mills, plant, and machinery (not including good will, trade-marks, etc.) in New Jersey receivers' possession and appraised by them at	[1]$2,934,388	
Stocks of other cordage companies in receivers' possession and appraised by them at	679,300	
Merchandise	4,880,884	
Notes receivable	273,303	
Accounts receivable[2]	3,596,691	
Mill supplies	60,000	
Security corporation bonds	303,624	
Cash	326,169	
Claims against various parties	595,463	
		$13,649,822
Less pledged assets		4,839,978
Free assets		8,809,844

LIABILITIES.

Debts as per books		$12,251,792	
Claims filed subject to adjustment and allowance (estimated)	$500,000		
Liens due this year	456,000		
Contingencies and expenses (estimated)	388,000		
		1,344,000	
Total debt		13,595,792	
Value of collateral pledged as of September 30, 1893, to be applied in payment of secured debt		4,839,978	
Unsecured debt			8,755,814
Apparent surplus			54,030

[1] This item does not include the eight Security Mills nor the five Union Mills.

[2] This includes the assets expected to be received from the Boston receivers as part of the reorganization.

The pledged assets ($4,839,978) include certain accounts and notes receivable, security bonds, and also certain merchandise, the latter being of the appraised value of $4,100,489.

For the purpose of raising the cash necessary to pay the 25 per cent offered, in addition to the cash in hand, there is available free merchandise amounting to $780,395, and the unpledged accounts and notes receivable, and the mill supplies.

In this way all the free assets, except those representing the mill properties and good will, will be applied to the payment of 35 per cent of the face of the unsecured debt and interest, and the pledged assets will be applied to the payment of the secured debt. The remaining assets, representing the mill properties and good will, and also the new mill properties to be acquired, will be mortgaged to secure the payment of the bonds mainly used in paying the remaining 65 per cent of the unsecured debt.

Thus the entire assets of the company will be utilized in the payment of its debts.

The above assets, amounting to $13,649,822, are not all available for immediate liquidation of debts, because they can not now be converted into cash at adequate prices. For instance, among them are slow and doubtful assets of the face value of $2,962,838, which can not be considered for purposes of present payment, but which are believed to be ultimately good for $1,711,762. Nor can the item of mills, plant, machinery, etc., amounting to $2,934,388, nor the item of stocks of other mills, amounting to $679,300, be advantageously turned into cash for the purposes of immediate liquidation. Nor can it be ascertained at present how much can be collected of the item of claims against various parties, amounting to $595,463.

In short, $6,566,860 of the unsecured debt and the interest must be provided for by bonds and trust-liquidation certificates, and provision must also be made for $1,657,000 of underlying liens on various properties, which mature at various times during the ensuing ten years and which are not included in the above item of total debt.

If an attempt should be made to pay the present debt at the present time at forced sale out of the present assets, it is obvious that creditors could not be paid in full, and a forced sale would so materially reduce the above-appraised value of the assets as to pay an unsatisfactory dividend to creditors.

The market price of good will at a forced sale of a dismembered property is so problematical that it is not appraised.

THE SECURITY MILLS.

The eight mills of the Security Corporation have heretofore been operated under a lease, which required the yearly payment for twenty years by the National Cordage Company to the Security Corporation of $585,000 annual rental. The payments, if continued, would retire the Security Corporation bonds of $6,000,000, with interest, at the end of the lease.

Although these mills formed an important part of the cordage company's operated plant, it was obvious that the terms of the lease were too burdensome for the reorganized company. The committee has therefore completed arrangements for a conveyance of the title of the Security Mills to the reorganized company, subject to the approval of the holders of the bonds of the Security Corporation. A large majority, in value, of these bondholders have already assented to this conveyance, which, when made, will be free from the lien of the mortgage of the Security Corporation of $6,000,000, and will be subject only to underlying liens in the nature of purchase-money mortgages, amounting altogether to $1,385,000, payment of which will be provided for by the reorganization. It is confidently expected that the necessary consent will be obtained from all the holders of Security Corporation bonds.

In giving this consent, however, the holders of the security corporation bonds have expressly stipulated that bonds of the reorganized company should not be issued to creditors at less than par, and that the whole issue should not exceed $7,500,000.

This agreement, if consummated, will place the 8 Security Mills (the Boston, Standard, New Bedford, Lawrence, Middletown, Chicago, Ohio, and American) under the mortgage made to secure the bonds of the reorganized cordage company, and when the Union Mills are acquired, will make it a mortgage upon 22 mills (instead of upon 12, as originally proposed). It will reduce the fixed annual charges by the sum of $585,000, and will relieve the reorganized cordage company from burdensome restrictions contained in the security lease and mortgage, and so permit of greater economy in managing and operating the mills.

By the provision made in the reorganization for underlying liens, it is also expected that the reorganized company will acquire title to the Union Mills, ownership in a part of which has been heretofore represented by capital stocks of corporations

owning these properties. The remaining portion of these capital stocks is now pledged to secure payment of the underlying liens on these properties.

The stockholders of the National Cordage Company have, with practical unanimity, submitted to an assessment on their stock ($20 on each preferred share and $10 on each common share), and have paid in their contributions for working capital for the new company. The amount already paid in cash is in excess of $2,700,000, and this is expected to be increased to nearly $3,000,000.

This fund, while not available for the payment of debts of the old company, will be in the treasury of the new company, and will greatly strengthen its resources and credit and supply it with working capital.

The committee also calls attention to the fact that, in addition to the new real property of value which will be acquired for the new company, several burdensome contracts of various kinds will be abrogated or modified, the accounts and system of business will be much simplified, the expenses will be much reduced, all of which will also add to the value of the bonds of the reorganized company.

These facts render the bonds now proposed to be issued so much more valuable than the bonds originally proposed that they should be available at par for the payment of debts.

The only alternative to this proposition is the dismemberment of the properties and their sale in judicial proceedings, which would produce most unsatisfactory results.

The reorganization committee therefore most respectfully urges all creditors to assent to the plan herein proposed before December 1, 1893, and requests the creditors to sign and forward the inclosed assent as soon as possible.

The committee intends to proceed with this reorganization on or about December 1, 1893, by the organization of a new company to carry on the former business of the National Cordage Company.

This company will be called the United States Cordage Company.

In what it has heretofore said the committee has treated the situation as it must be viewed by a creditor desiring prompt settlement.

The valuations which it has been obliged to adopt for this purpose are radically different from the valuations which would be put upon the same properties as properties of a going concern, owned and operated by a solvent corporation, and, in particular, they represent, on the basis here adopted, much less value than will be represented by the enlarged, increased, and harmoniously consolidated properties expected to be obtained for the reorganized Cordage Company, as will appear from the committee's circular No. 2, to stockholders, inclosed with this.

The committee recommends the acceptance of the settlement herein proposed. It is the best settlement of which the condition of the company permits. In saying this, it reminds you that its members are themselves creditors and also the agents of other creditors, and that the advisory committee of bank presidents, whose recommendation is hereto attached, were appointed to represent all creditor banks.

George C. Magoun,
Ernst Thalmann,
Gustav H. Gossler,
Reorganization Committee.

Exhibit 2.

United States Cordage Company. Reorganization agreement, dated June 3, 1895.

[Manhattan Trust Company, depositary, 2 Nassau street, T. H. Wentworth, secretary.]

This agreement, made in the city and State of New York, this third day of June, in the year 1895, between Frank K. Sturgis, William Barbour, and John I. Waterbury, and such other person or persons as may hereafter constitute said committee, hereinafter called the committee, parties of the first part, and such of the first mortgage bondholders and holders of guaranteed stock, preferred stock, and common stock of the United States Cordage Company as shall assent and become parties hereto and comply with the terms hereof, parties of the second part.

Whereas the United States Cordage Company is a corporation incorporated under the laws of New Jersey, with an authorized capital stock in all of three hundred and forty thousand shares of the par value of $100 each, of which shares sixty thousand or thereabouts are guaranteed stock, eighty thousand shares or thereabouts are preferred stock, and two hundred thousand shares or thereabouts are common stock, whose respective rights and priorities are set forth in the certificate of incorporation of said company; and,

Whereas such corporation has an issue of six per cent thirty-year gold bonds, to an amount of $7,500,000, secured by a mortgage to the United States Trust Company, of New York, as trustee, bearing date January 1, 1894, upon the mills and property of the company; and,

Whereas default has occurred, or is likely to occur, in the payment of the interest falling due on said mortgage bonds on the first day of July, 1895.

The principal or interest, or both, of underlying liens upon the mortgaged property have fallen in arrears to a large amount, and have not been discharged, and certain other subsidiary liens are about to fall due, and that funds be provided therefor, and it is necessary that a readjustment be had of the rights and priorities of the said bondholders; that further cash capital be provided for the company, and that a reorganization take place of its affairs for the benefit and security of the bondholders and stockholders alike; and,

Whereas if the mortgaged property should be sold under said mortgage there is danger that no adequate bid or price would be obtained therefor, unless the stockholders and bondholders, of whom there are a very large number, shall act in unison and protect their interests; therefore, the following plan for the protection of the interests of the bondholders, stockholders, and of all other parties in interest in the company has been agreed upon between the committee and a large number of bondholders, holders of guaranteed stock, of preferred stock, and of common stock, and certain creditors, viz:

PLAN OF REORGANIZATION.

One or more corporations shall be created, and by foreclosure of the existing mortgage made to the United States Trust Company or otherwise be invested with the title to the real estate and other properties of the company, or of such as the committee herein named shall determine to retain. The term company as hereinafter used is intended to refer to such corporation or corporations as shall finally be utilized to issue the securities or perfect the reorganization provided by this plan.

The company shall create, and, as required, issue the following securities:

1st. Its fifty-year first mortgage six per cent gold bonds for the sum of $1,000 each, bearing interest at the rate of 6 per cent per annum, and secured by mortgage or deed of trust to a trust company in the city of New York, approved by the committee, as trustee, and which, upon satisfaction of or providing for the existing mortgage of the United States Trust Company and the subsidiary liens, shall be a first lien upon the company's property, rights, and franchises, and which shall contain, among other things, provisions for a sinking fund of at least one per cent annually; for the payment of the said bonds at any time prior to maturity at the price of 105 and interest; for the sale of any of the real estate and property of the company not required for use in its business and the application of the proceeds, and such other provisions as counsel shall advise. The entire issue of such bonds shall be limited to $3,000,000.

2nd. Its fifty-year consolidated five per cent mortgage gold bonds of $1,000 each, or other approved denomination, secured by a mortgage or deed of a trust to a trust company in the city of New York, approved by the committee, as trustee, which, on satisfaction of or providing for the existing mortgage to the United States Trust Company and any subsidiary liens, shall be a lien upon the company's property, rights, and franchises, subject to the said first mortgage to the amount of $3,000,000, hereinbefore described. Said mortgage shall contain similar provisions in reference to the payment of the said bonds prior to maturity at par and interest, for the sale of any real or personal estate not required for the business of the company, and such other provisions as counsel shall advise. The entire issue of bonds thereunder shall be limited to $7,500,000, of which the necessary amount shall be used in exchange for the present outstanding issue of first-mortgage bonds and the interest due thereon, as hereinafter provided.

The said bonds shall entitle the holder to interest at the rate of five per cent in any year, payable from profits, if earned prior to any dividend upon the stock and not otherwise, which interest shall be non-cumulative. *Provided, however,* That in any year in which a dividend of two per cent per annum shall be declared and paid upon the stock of the company there shall be paid upon such consolidated bonds from the profits of the company for such year, if such profits shall justify the same, in addition to interest at 5 per cent, as above provided, an amount not to exceed 2½ per cent, provided the unpaid interest in arrear on said bonds shall equal such amount, and if not, then to the amount of such interest as may be so in arrear. Such bonds shall also have voting power attached thereto.

3rd. Common stock to the amount of $12,000,000.

Such shares shall be of the par value of $100 each, and the form thereof and of such bonds and the mortgages to secure the same shall be such as the committee and counsel shall approve.

The holders of bonds and stock of the present company who shall become parties to the reorganization, and who shall deposit their bonds and stock with the committee, and comply with the conditions hereof, shall be entitled to receive bonds and stock as hereinabove described, on the following basis:

(1) The holders of the present outstanding issue of $7,500,000 of bonds shall be entitled to exchange the same at par for such consolidated bonds, hereinabove provided for, the interest coupon maturing July 1, 1895, to be paid in like bonds.

(2) Every holder of guaranteed stock of the present cordage company shall subscribe at par for said new first mortgage bonds (aggregating $3,000,000) to the amount of $20 per share for his respective holding, and shall pay $5 per share upon becoming party to this agreement, and the remainder in three installments upon the call of the committee upon not less than ten days' notice, and shall receive the completion of such payments and upon the performance of the condition herein, when prepared for issue, bonds of the said issue of $3,000,000 at par to the amount of said payment in cash, interest on such bonds to be adjusted, and shall also receive eighty per cent in common stock of the new company at par upon the par value of his said holding of guaranteed stock deposited under this agreement.

(3) Every holder of preferred stock of the present cordage company shall subscribe at par for said new first mortgage bonds (aggregating $3,000,000) to the amount of ten dollars per share for his respective holding, and shall pay $2.50 per share upon becoming party to this agreement, and the remainder in three installments upon the call of the committee upon not less than ten days' notice, and shall receive upon the completion of such payments and upon the performance of the conditions herein, when prepared for issue, bonds of the said issue of $3,000,000 at par to the amount of said payment in cash, interest on such bonds to be adjusted, and shall also receive forty per cent in the common stock of the new company at par upon the par value of his said holding of preferred stock deposited under this agreement.

(4) Every holder of common stock of the present cordage company shall subscribe at par for said new first mortgage bonds (aggregating $3,000,000) to the amount of five dollars per share for his respective holding, and shall pay $1.25 per share upon becoming party to this agreement, and the remainder in three installments upon the call of the committee, upon not less than ten days' notice, and shall receive upon the completion of such payments and upon the performance of the conditions herein, bonds of the said issue of $3,000,000 at par to the amount of said payment in cash, interest on such bonds to be adjusted, and shall also receive twenty per cent in the common stock of the new company at par upon the par value of his said holding of common stock deposited under this agreement.

(5) Such bonds out of the amount of $3,000,000 as may not be subscribed for, and any bonds or stock not required for exchange, and any securities or cash on hand shall be used and disposed of by the committee for any purpose or purposes of reorganization or the expenses thereof or for the benefit of the company, as to the committee may seem fit.

(6) From the amounts to be raised, as herein provided, the underlying liens existing upon the mortgaged properties of the company or such as the committee shall approve, shall be retired, provided that any of said existing bonds or sublying lien bonds or liabilities which the committee shall decide to pay if not due, or if payment can not be made, may be left outstanding, provided the committee shall retain or deposit cash, or an amount of such new bonds of the issue of $3,000,000 equal to the outstanding bonds or liens or equal to any liability thereon.

Now, therefore, this agreement witnesseth, that the subscribers hereto have agreed with each other and with the committee as follows:

First. That the parties of the second part hereby constitute and appoint Frank K. Sturgis, William Barbour, and John I. Waterbury attorneys in fact for them and each of them in carrying out this agreement and as the Committee of Reorganization.

Second. That each party hereto of the second part will cooperate to carry the foregoing plan, and this agreement, into effect and will deposit his bonds and stock of whichever class as herein provided with the Manhattan Trust Company at the city of New York when required, and will execute proper transfers of each of the same, so that the legal title thereto may become vested in the committee, for which certificates shall be issued, on behalf of said trust company, in such form as the committee shall approve, which certificates the committee will endeavor to have listed upon the New York Stock Exchange, provided, that if any of the parties hereto shall fail to surrender or transfer their said bonds or stock, or fail to make the required payments, or fail to comply with the terms hereof, such party or parties shall forfeit all payments and have no further right to participate in the benefits hereof.

Any stockholder or bondholder not becoming a party hereto, and not depositing his stock or bonds, shall not be entitled to participation herein, nor to share in any form in said reorganization.

Third. The committee shall be sole judge as to when and in what manner and to what extent the plan shall be carried out. The committee may, in its judgment, declare the plan operative; and in case, for any reason, the plan shall not be declared operative, or the same be declared abandoned, before or after any change therein, the securities deposited shall be returned to the several parties depositing the same, and all cash repaid, less the pro rata share of the expenses incurred, subject to the provisions herein contained as to the right to use certain of the cash to carry on the business of the company. The committee may extend time for acceptance, may abandon the plan at any time, and may take such other steps as in their judgment shall be deemed best to carry out the same.

Fourth. The committee may fill any vacancy, appoint sub-committees, counsel, attorneys and agents, and incur such expenses as in its judgment are required in carrying out the plan. The committee may confer with any receivers appointed, and take such steps as shall, in their judgment, be necessary in regard to any claim or liability preferred against the receiver or the company. Said committee may transfer the said bonds and shares of stock into their own names, and may vote in person or by proxy upon the same either in their names or in the names of the equitable owners, at any meeting, regular or special, of the stockholders of said existing corporation, or otherwise, or may receive a proxy from the Manhattan Trust Company to vote on the same, and may take any steps generally which it may be advised by counsel to be necessary to protect the interests of the owners or for carrying out of said plan, and in particular may call any meeting which the stockholders or bondholders might call, and institute or defend any suits which the stockholders or bondholders themselves might institute or defend. The committee may in like manner declare due the principal of the said bonds secured by mortgage to the United States Trust Company, or take any proceedings or make any requests, whether for foreclosure of the mortgage or otherwise, to carry out the plan. The committee may, in the name of the bondholders, demand any action or relief from the United States Trust Company or other trustee which the parties themselves could demand. Upon any sale or sales of the property of the said existing company the committee may, in its discretion, purchase and acquire the same, or any part or parts thereof, and use said bonds and stock and securities in its possession or deposited to pay for the same, and shall hold the same when so purchased, and generally exercise all and singular the powers and discretion which the parties of the second part, or any of them, might or could do singly or collectively as stockholders, bondholders, or otherwise. The committee may construe this agreement, including said plan, and its construction, made in good faith, shall be conclusive. The committee may designate the first board of directors of any company or companies, and cause the reorganization plan to be carried out.

Fifth. That the amount to be bid at any sale of the property of the company or any part thereof shall be in the discretion of the committee; and in case the committee shall not purchase the said property or any portion thereof, it may receive the dividends due on the securities held by it from the proceeds of sale and distribute the same, less the *pro rata* share of the expenses. The committee may, however, in case of a sale in parcels, permit any parcel or any particular property to be sold, and use the proceeds for the benefit of the reorganization. The committee may exercise its judgment as to which of the properties of the present company to retain, and whether any other property or properties should be acquired. The committee is further authorized to alter or amend this plan and supply any defects or omissions therein, or to otherwise change the same, provided, however, that the amounts to be contributed by stockholders, or demanded from them, shall not be increased, nor shall any increase be made in the amount of bonds to be secured by the first mortgage hereinbefore described, nor as to the amount thereof to be issued as is hereinbefore provided.

Sixth. The committee shall offer to each outstanding first mortgage bondholder the right of becoming a party hereto and of exchange as herein provided, and shall also offer to each and every guaranteed, preferred, and common stockholder becoming a party hereto the privilege of subscribing for the bonds so to be issued at the rate mentioned in the plan; and a syndicate or syndicates may be formed to carry out or make effective this plan, and to purchase the amount not subscribed for, and secure and guarantee the same. The committee is authorized to dispose of any bonds of the said amount of $3,000,000, or of the said issue of $7,500,000, or of any stock not taken, to said syndicate, as provided in this agreement, and, further, to pay such amount as shall in their judgment be necessary to any syndicate to underwrite or *guarantee* the same, and may use the surplus of bonds or stock for the purposes of said reorganization.

Seventh. In case it becomes necessary to provide for fractions of shares or of bonds, in the distribution of the new securities, the committee will make such

adjustment and cause scrip certificates to be issued. The committee shall have power, in case the plan be declared effective, to acquire, compromise, or adjust any outstanding bonds, claims, or evidences of debt, to borrow any money required to carry out such adjustment, and to raise any necessary funds, and to pledge all or any of the securities in its hands as security for the repayment of such amount, or for any other purpose hereunder, and to adjust any liens upon any of the property to be acquired, or acquire or purchase any other liens or property, and at any time, whether before or after the plan be declared effective; to advance or loan to the receiver or receivers of the company upon such security as said committee may approve such amount or amounts as shall be necessary for use in carrying on the business and affairs of the corporation, which loans while outstanding shall be deemed expenses of the reorganization.

Eighth. It is agreed, however, that the committee shall assume no responsibility except to undertake, in good faith, to carry out the plan. They shall not be personally liable, except in case of willful malfeasance or gross neglect, nor for the acts of their agents or employees. The committee shall act by a majority, and all acts of the majority shall be acts of the committee. Any member of the committee may resign upon giving notice in writing to the other members of the committee, and any member may become pecuniarily interested in any of the property or matters which are the subject of this agreement, and may become members of any syndicate to carry out the plan; and they shall be allowed reasonable compensation for their services.

Ninth. This agreement shall be printed and copies thereof, or a separate assent thereto, may be signed by the parties becoming parties thereto, but all of said copies of agreement so signed, or of said separate assents, shall be taken to constitute one original paper, and the deposit of stock or bonds hereunder without signatures shall make such depositor a party hereto.

Tenth. This agreement shall bind the heirs, executors, administrators, and assigns of the several parties assenting thereto, and such parties, by whatever name called, shall be held to include guardians and all persons acting in any fiduciary capacity, and in like manner all corporations.

In witness whereof we have hereunto set our hands the day and year first above written.

Name.	Address.	Security.	Amount.	Numbers.

PHOTOGRAPHIC SUPPLIES.

PHILADELPHIA, PA., *December 18, 1900.*

TESTIMONY OF JOHN CARBUTT,

Manufacturer of photographic plates, films, and papers, Philadelphia, Pa.

The sub-commission being in session at the Manufacturers' Club, Philadelphia, Mr. Clarke presiding, Mr. John Carbutt appeared as a witness at 11 a. m., and, having duly affirmed, testified as follows:

Q. (By Mr. CLARKE.) Please give your name and address.—A. John Carbutt, Wayne Junction, Philadelphia, Pa.

Q. In what business are you engaged?—A. I am the pioneer manufacturer of the gelatine dry plate in the United States, and have followed this by the introduction of my plates, films, and papers, which I deemed it wise to put on the market.

Q. These plates are used in photography?—A. In photography, all over the country; and I may say with pride that I export to various foreign countries.

SALE OF PRODUCT OF KEYSTONE DRY PLATE AND FILM WORKS.

Q. What is the name of your firm or company?—A. There is no company; it is an individual concern. The title is The Keystone Dry Plate and Film Works, established in 1878.

Q. To whom do you sell your products?—A. Through the dealers generally throughout the United States; and in Philadelphia to professional and amateur dealers, so called; W. P. Buchanan on Arch street, John Haworth, Williams, Brown & Earle on Chestnut street, J. W. Queen & Co. on Chestnut street, John Wanamaker; and there are several others that I could name; and in every large city in the United States I have customers who are buying and have bought for years past of my product, dry plates especially.

Q. Are they wholesalers or retailers or photographers?—A. They are retailers. Three firms in New York have for twenty years past wholesaled as my agents. These are the Scovill & Adams Company, the E. & H. T. Anthony Company, and G. Gennert.

COMBINATION FORMED TO CONTROL PHOTOGRAPHIC PAPER—THE GENERAL ARISTO COMPANY.

Q. Do your goods come in competition with similar goods produced by others?—A. Yes; most directly.

Q. Has there been any combination of dealers or agreement affecting the trade in any way to your prejudice?—A. There has been in the matter of photographic paper.

Q. Please tell us about it in your own way.—A. In 1898 Mr. Eastman, of the Eastman Company, went abroad and secured, as he believed, the control of the paper intended for import to the United States for photographic purposes. He then afterward formed a coalition with the Aristo Paper Company of Jamestown, N. Y., and later with the Nepera Chemical Company of Nepera Park, and with the firm at Bloomingdale, N. J., and merged them into what is known as the General Aristo Company. Then through the Eastman Company's power, it being the manufacturer of the film used in kodaks and other cameras, they compelled the dealers to sign a contract to sell no other goods than those produced by them. I am now referring chiefly to paper, in which I am antagonized.

THE GENERAL ARISTO COMPANY COMPELS DEALERS TO SIGN EXCLUSIVE CONTRACTS.[1]

Here is a memorandum of the agreement which the dealers have to make, and every four months they have to make an affidavit that they have sold no other paper than that purchased of the General Aristo Company, otherwise they will be refused the rebate of 12 per cent and refused any other material made by the Eastman Kodak Company or General Aristo Company. The agreement is from a customer who would not sign it. He commenced selling my paper in place of that made by the General Aristo Company, and in a letter which I will submit later, he shows the reason why. The following is the memorandum of agreement:

Memorandum.

PHOTO MATERIALS COMPANY,
Rochester, N. Y., January 17, 1900.

GUS A. CONRADI:

If the statement below is signed by you, and verified to the satisfaction of this company, and if this memorandum is surrendered to us within twenty (20) days after the date it becomes due, we will credit your account with $0.74, this amount being equal to 12 per cent of your total net purchases of Kloro, Azo, Kelat, Special and P. M. C. bromide papers during the month of December, 1899, and which amounted to $6.17 net.

This memorandum becomes due on April 1st, 1900.

PHOTO MATERIALS COMPANY,
By MOORE.

Not transferable nor negotiable.

——— hereby state that I have not within the four months next preceding the date mentioned below, bought, sold, carried in stock or disposed of, either directly or indirectly, any collodion printing-out or gelatine printing-out bromide or developing-out papers, other than those manufactured by the General Aristo Company's factories, viz, the American Aristotype Company branch, the Photo Materials Company, the New Jersey Aristotype Company branch, the Nepera Chemical Company branch, Kirkland Lithium Paper Company branch, and the Eastman Kodak Company branch, and those only in unbroken original packages.

I further state that all such papers have been sold by me strictly at their respective list prices mentioned on the back hereof, and that no arrangement, either expressed or implied, has been made or exists by which any compensation, rebate, gain or advantage has been, or is to be allowed, either directly or indirectly, to any purchaser of any collodion printing-out or gelatine printing-out, bromide or developing-out papers sold by me within the four months next preceding the date below stated.

But this statement is made by me with the understanding that I may have allowed professional photographers to deduct not more than 3 per cent for cash when making full settlement, within 10 days after the first of month following sale, and that I may have delivered paper to consumers at my own cost.

Dated ——— ———, 1900.

——— ———.

This statement must not be signed before the date it becomes due.

Serial number P 1049.

INCREASE IN THE COST OF IMPORTED PAPER.

WITNESS (continuing). Now, in regard to the cost of material: September 11, 1898, I was able to buy imported paper—the same paper they used—at 7 cents the meter; from the same party, March 10, 1899, I was charged 8 cents the meter; December 30, 1899, the price had raised to $145 the thousand meters, or 14½ cents the meter—over 100 per cent increase. Notwithstanding that, I am selling my paper—which I have said my customers prefer to this combination's paper—at 25 per cent less, to the advantage of the users of this paper.

Letters showing the combination's attitude toward dealers in photographic supplies.

The travelers of this firm upon every occasion try to put my paper out of the market. They are doing it now wherever they can. If necessary, Mr. Shannon, of J. B. Shannon & Sons on Market street, can be called to testify. He has in his pos-

[1] See pp. 183, 192.

session a letter from the General Aristo Company offering to buy my paper from them if they will buy theirs and give a written agreement not to sell any other paper.

I will, with your permission, just read extracts from letters sent me:

THE FULMER & SCHWING MFG. Co.,
404 Broadway, N. Y., April 25, 1900.

Mr. JOHN CARBUTT,
Wayne Junction, Philadelphia, Pa.

DEAR SIR: Yours of the 3d instant to hand and noted. The General Aristo Company's line of papers embrace the entire field of photographic papers, which compels us to submit to their iron-clad restrictions and not handle any of the outside papers.

Regretting that we are not able to stock your paper for the present, we are, yours, truly,

THE FULMER & SCHWING MFG. Co.

THE ANDERSON SUPPLY COMPANY,
CAMERAS AND PHOTOGRAPHIC MATERIALS,
No. 111 Cherry street, Seattle, Wash., April 25, 1900.

Mr. JOHN CARBUTT,
Wayne Junction, Philadelphia, Pa.

DEAR SIR: Your favor of the 18th instant at hand, enclosing credit memorandum for plates and films returned to you, and we appreciate your kindness in making us so liberal allowance for same.

Regarding shipment to us to replace same, kindly allow credit to stand, and as fast as we can use same we will order from you.

Kindly advise us if you have any immediate prospects of arranging the difference between your company and the General Aristo Company so we could handle your papers without conflicting with our rebates from them.

Yours, respectfully,

ANDERSON SUPPLY Co.,
O. P. ANDERSON, *Manager.*

WITNESS (continuing). The combination's mode of doing business is, when they sell a bill of paper, to give the party 15 per cent discount, and, if at the end of 3 or 4 months he will make a sworn statement that he has sold no paper but theirs, they will give a further rebate of 12 per cent, whereas I give to the dealers at once 25 per cent discount on the bill. Their prices are 25 per cent higher than mine. (Reading:)

THE SPRAGUE & HATHWAY Co.,
PORTRAIT ARTISTS AND SOLAR PAINTERS,
West Somerville, Mass., January 24, 1900.

JOHN CARBUTT,
Philadelphia, Pa.

DEAR SIR: We understand one of our men was at your place recently and ordered some samples of bromide paper. As the matter now stands, we will be compelled to countermand the order. As you are probably aware, like many other people, we are tied up, more or less, with the trust. We trust, however, this will not long continue.

Yours, truly,

THE SPRAGUE & HATHWAY Co.

UNFAIR METHODS EMPLOYED BY TRAVELERS FOR THE GENERAL ARISTO COMPANY.

WITNESS (continuing). After receiving letters from my customers as to the interference of one of the travelers of the General Aristo Company, I wrote them to give me the names of the parties. These are the responses:

PHILADELPHIA, *June 14, 1900.*

Mr. JOHN CARBUTT,
Wayne Junction, Pa.

DEAR SIR: Your letter at hand. I am very glad that you have written me for this information. The combine agent to whom you have reference I am pretty sure was the one who was here trying to influence us to use their paper. If it was he, I do not think he would stop at telling lies. He told me that in the near future there would be no Vinco paper, as it has no permanent qualities. Of course I could see the object of all his talk, and, I tell you straight, I gave him as good as he sent. It seems that he goes from one to the other with the same story, trying to down anti-trust papers.

Yours, respectfully,

WM. HEWETT.

BETHLEHEM, *June 12, 1900.*

Mr. JOHN CARBUTT,
Philadelphia.

DEAR SIR: I had a call from Mr. Robertson, representing the General Aristo Company. These suckers are endeavoring to get me to handle trust goods. This same vandal claims that you are coating on American paper; that you allow one-third off to consumers, and claims to have seen bills allowing 50 per cent on Vinco. He also claims that at 3939 Lancaster avenue a druggist named Codville sells Vinco at $0.12 per dozen, while in Chicago they sell it for 7 cents per dozen. He is a liar, as he claims to have visited your factory last week. Did he? He went so far as to offer to purchase my stock of Vinco and other anti-trust papers if I would sign the agreement. Can anything be done to stop such underhand methods?

Yours, truly,

GUS. A. CONRAD.

Letter of protest to the General Aristo Company.

WITNESS (continuing). I then wrote a letter to the General Aristo Company, of which this is a copy:

JUNE 15, 1900.

The GENERAL ARISTOTYPE COMPANY,
Rochester, N. Y.

GENTLEMEN: For some time I have been in receipt of letters from my customers selling my product, "Vinco" developing paper, telling of the efforts made by your representative to discourage said dealers from handling my products. If it went no further than a legitimate business effort to secure trade for your product, no fault could be found, but your agent resorts to direct lying. Of this I have plenty of evidence. Your representative, Mr. Robertson, recently called on 4 of my customers, making the following statement: First, that I was coating on American paper; second, that Vinco has no permanence, and that there would soon be no Vinco on the market; third, that he had seen bills in which 50 per cent discount was allowed; all of which is untrue. One customer writing of Mr. Robertson's effort to have him sign your contract does not hesitate to call him (Mr. Robertson) a d——d liar. While I am not given to using profane language, I can not but indorse his opinion. Now, I personally do not, nor allow anyone in my employ, to speak disrespectfully of any competitor's products, and I look for return of same business courtesy. Now, gentlemen, this decrying of my products by your representative must be stopped, and I ask in all business fairness that you instruct your travelers to discontinue telling untruths, which if you have heretofore been ignorant of, you can be so no longer.

Trusting I may receive a satisfactory reply, very truly, yours,

JOHN CARBUTT.

Q. (By Mr. KENNEDY.) Did they answer that?—A. They answered it, but in a way. They said that while they gave no authority for such action, it was probably overzealous action on the part of their demonstrators to procure business. That is the course they pursue right along.

INTERFERENCE OF THE COMBINATION IS CONTRARY TO STATUTE.

I have here a copy of the act of Congress entitled "An act to protect trade and commerce against unlawful restraints and monopolies," chapter 647, volume 26, United States Statutes at Large, Fifty-first Congress. I will leave this with you. That bears directly, I think, on the way in which I am being interfered with in my legitimate business.

Q. (By Mr. CLARKE.) Have you made complaint to any United States district attorney that you were being discriminated against in this way?—A. No; I have not.

OPINION OF THE TRADE AS TO THE MERITS OF CARBUTT'S PAPER.

As proof that my product is accepted as equal, and by a great many as superior to theirs, I will read this letter:

KANSAS CITY, MO., *December 15, 1900.*

JOHN CARBUTT—

DEAR SIR: Your telegram received to-day stating that 5 dozen Vinco was shipped yesterday. I also sent another order for 10-yard roll and 3 dozen 16 by 20. Please hurry that through as soon as possible. I need it by next Wednesday. I contracted yesterday to furnish a St. Louis firm of good standing 500 16 by 20 bromide prints

per month, commencing March 1 and lasting one year. I secured the contract over Chicago on account of work being better. That will take more paper than I have been ordering.

Yours, very truly, A. D. JOHNSON.

SUPERIOP QUALITIES OF THE FOREIGN PAPER.

Q. (By Mr. CLARKE.) Is all this paper of yours wholly American make?—A. No; it is foreign. I am sorry to say I spent a great deal of money trying to use American paper, but for some reason or other they do not make it homogeneous enough for photographic purposes.

Q. Are the similar papers which your competitors use American or foreign?—A. It is claimed to be foreign. Of course I do not know positively.

Q. Where is it produced?—A. In Germany. The Steinbach paper is made at Malmedy, in Germany.

Q. (By Mr. LITCHMAN.) Is the superior quality due to some process of manufacture, the particular kind of water they use, or something of that kind?—A. Yes; it is mainly in the water; that has been generally reported. There are two firms in Massachusetts, one at Holyoke and one just outside, that make most excellent paper. They make one kind that is very satisfactory, the rough paper, as it is called; but the fine, smooth paper they are not able to produce.

Q. (By Mr. CLARKE.) This water in Germany is a natural water?—A. A natural water, coming from the mountains, I presume.

Q. Nothing like it has been found in this country?—A. It seems not.

Q. Has any sample of that water been procured and analyzed?—A. That I do not know.

Q. What is the amount in value of the importation of this paper?—A. That I do not know. You would have to find that out from the custom-house.

Q. Practically all the paper used in the United States for fine work is imported?—A. Yes. There are some of what are called the anti-trust firms which are using the American paper, but it does not meet the demand. As you see, as my bills will show, the price of foreign paper increased from 7 cents a meter, or $70 the thousand meters, to $145 the thousand meters. [Here witness exhibited his bills covering purchases of paper.]

Q. Where are the American papers made that compete with this foreign product?—A. In Holyoke, Mass.

Q. Only there?—A. I forget the firm that recently put up a mill outside of Holyoke. It used to be one of the mills at Holyoke.

PREPARATION OF THE PAPER FOR USE IN PHOTOGRAPHY—MACHINERY AND EQUIPMENT EMPLOYED.

Q. What work, then, do you do on this imported paper?—A. Coat it and prepare it; sensitize it for the photographers to use.

Q. In that work you employ a considerable number of hands?—A. Yes, and very expensive machinery. I have put in a very extensive plant for coating this paper and cutting it up and drying and things of that kind.

Q. You claim to be as well equipped for finishing the paper as the factories of the so-called trust firms?—A. Yes. I think the evidence is in the results—the pictures it produces; that is the test of it.

DEVELOPING-OUT PAPERS—SUPERIORITY CLAIMED FOR THE VINCO PAPER.

Q. Is this a comparatively new product?—A. This form of developing-out paper is practically new, within the last three years. It is known as gaslight paper, and it requires but a few seconds' exposure to gaslight and then developing.

Q. The same as velox?—A. Somewhat the same as to manipulation. Vinco is a bromide paper, and velox is a chloride, and requires longer exposure. I will read two letters. (Reading:)

SAN FRANCISCO, CAL., *April 12, 1900.*

Referring to your favor of January 23, having tried your paper and failing in a most exasperating way, of course with myself, but having an abiding faith in you as a chemist, to-day I took the balance of paper, after being allowed to take care of itself, to an expert and at the same time one of our largest stock dealers. He tested the paper, and in front of my eyes produced results declared by him to beat ——, —— or any other hybrid. In fact compared with —— prints from seven negatives, at first trial this expert produced prints from Vinco carbon matt most pronouncedly to the former's disadvantage.

W. S. J.

EAST BOSTON, MASS., *March 1, 1900.*

I have tried several bromide papers, but never found one that would so well render the artistic effects of the regular platinum papers as the rough Vinco does. The high lights are clean and brilliant and the blacks are deep without the detail being lost in the shadows. This is the paper that must supplant all those of other makes for its qualities and price.

M. G. M.

INCREASED PRICE OF FOREIGN PAPER DUE TO ATTEMPT TO SECURE MONOPOLY OF SAME.

Q. I understand the Eastman Company has a monopoly of the foreign-made paper that you use this coating on. How do you obtain this?—A. They think they have the monopoly, but I have friends in Germany through whom I can obtain it, only I have to pay a great deal more for it. In 1899 I could buy the same paper at $80 a thousand meters, and now it costs $145 the thousand meters.

Q. Have you any evidence that goes to show that that increase was effected with the collusion of the Eastman people?—A. No, I have not; but they made such arrangements that the paper could not be bought by dealers over in Europe with any idea of its being sent to America without paying a much larger price for it.

Q. (By Mr. CLARKE.) How do you know that?—A. It is more hearsay than positive proof. The only positive proof is that I know that I have to pay so much more for the paper.

Q. (By Mr. LITCHMAN.) Have you made any personal attempt to buy the paper from the manufacturer?—A. Not abroad, but from their agents here I have, and they won't sell it to me. There are two agents on Broadway who advertise to sell the Rives and Steinbach paper, and I go to them and they ask why I want it. I tell them to make bromide paper, and they answer, "We can only sell it to persons in the trust."

THE COMBINATION IS A TRUST—ITS METHODS.

Q. (By Mr. CLARKE.) Do they speak of this combination of theirs as a trust?—A. No; I do not know that they do, but those who have dealings with them so consider it.

Q. Is it generally so considered in the trade?—A. Yes; it is spoken of as the trust. I only wish one of the firm of Williams, Brown & Earle could have been here to be examined, because they have expressed time and time again how sick and tired they are of being tied up to buy of one corporation and not being allowed to buy outside.

Q. Can you give the address of that firm?—A. Yes; 918 Chestnut Street. Last week they wanted to exhibit some pictures made on my plates, without the name of the paper being shown. I took them some large prints made by a photographer on Eclipse plates. These had the name "Vinco" on the frame, and they said, "We can not accept them. We would not dare to exhibit these prints made on that paper, we would lose our rebate at once." They are afraid to put a picture in their place bearing the name of my firm. Consequently I removed the label from the frame.

OPINION OF A CUSTOMER AS TO THE MERIT OF THE VINCO PAPER.

I have one more letter here. This is from a large consumer of Velox; but he has taken up my paper. I have put blanks where proper names occur. (Reading:)

SHORTHILLS, N. J., *October 11, 1900.*

Mr. JOHN CARBUTT,
Wayne Junction, Philadelphia.

DEAR SIR: I have just been made acquainted with your Vinco papers and find them the best developing papers I have ever known. For about three years I have been using and selling ———, and have bought very largely of it during the past two years, but I am perfectly sick of the troubles attending business done with the ——— ——— Chemical Company since it has entered the trust. Your Vinco papers are fine compared with ———. They are indifferent to bromide, indifferent to extreme freshness of developer, much more rapid than ———, do not stain nor give greenish or yellowish blacks when the developer is a little off the normal. I hope and believe you will get the biggest trade of the world in printing paper if Vinco is properly exploited.

Yours, truly,
JAMES SHACKELTON.

RELATIONS TO EMPLOYEES—WAGES—HOURS OF LABOR—CITIZENSHIP OF EMPLOYEES.

Q. What wages do you pay your operatives?—A. They range from $6 a week up for the girls, and for the men from $12 up to $30.

Q. How many hours a day?—A. The men work ten hours and the girls nine.

Q. Have you had any labor difficulties?—A. None at all.

Q. Your help are all American citizens?—A. I have some foreign born, but they are citizens. I have one Englishman and one German, and the rest are Americans.

Q. How much of it is expert labor?—A. Fifty per cent of it or more. Every department has to have its expert head.

Q. Have many of your operatives been long in your employ?—A. Yes; my foreman has been with me since 1877, and the oldest female employee has been with me since 1878.

Q. You claim they have acquired a high degree of skill, so that they are capable of producing the best possible work?—A. Yes; I pay this woman who has been with me so long $2 a week more than I could fill her place for, but I retain her because she is the only support of her mother.

Q. Have you any information as to the character of the employees of your competitors who are in the combination?—A. No, sir; I have not.

Q. Do you know what wages they pay?—A. Only so far as I have been told. They have what they call a school of demonstrators. One who went through the initiation afterwards said it was simply a school to instruct them how to lie, and he would not accept the position. These demonstrators are to go out on the road at a salary of $15 a week and their expenses. Wages paid inside of the factory will probably range from $8 a week up.

MEANS OF SOLICITING TRADE—SALESMEN AND ADVERTISEMENTS.

Q. Do you employ traveling salesmen?—A. I do not; but I shall be compelled to do so, and I expect to do that the early part of the year, because this business necessitates a great deal of corresponding. Most of my paper is sold by filling retail orders. They send for a sample, and on receiving that they are so well satisfied they send for more, and keep on sending.

Q. Do you solicit trade by advertisements in the newspapers and magazines?—A. By advertisements in the photographic magazines principally.

Q. Is that method also employed by your competitors?—A. Yes; they all advertise in the same journals.

THE COMBINATION'S EXCLUSIVE CONTRACTS ARE UNFAIR AND UNLAWFUL.

Q. Have you any complaint to make against them, except that they seem to have combined against you, and that, so far as they can, they make contracts with the trade to use their papers exclusively?—A. That is the principal complaint I have to make. I am willing to go side by side with them and compete in quality and price, but I do not like to have my old customers—men that have been dealing with me for years past—prevented from selling this new product of mine because they are selling the combine products and are restricted from selling any others.

Q. Is it your opinion that these exclusive contracts that they make are in violation of the anti-trust law?—A. Yes.

Q. Why have you not complained to some United States district attorney?—A. Well, it is simply because it has not occurred to me to do so. In fact, I have not given it thought enough as to how to proceed. I have been trying to find a way. The only way I have thought of was to bring suit against them, and that would be such an expense that I have been loth to encounter it, for the Eastman Company is a very large, moneyed concern, and they would fight it off and delay it in the courts, and I would simply be debarred from the benefit of what I might ultimately gain.

FIRMS COMPOSING THE COMBINATION KNOWN AS THE GENERAL ARISTO COMPANY.

Q. Can you give a list of the companies or firms which have entered into what you have called the combine?—A. O, yes; I can easily give you those. First, the Aristo Company, of Jamestown, N. Y.—the American Aristo Company they call it now. Also the Nepera Chemical Company of Nepera Park; and there are one or two firms in Rochester. They also bought up several firms in the West.

Q. (By Mr. LITCHMAN.) The Nepera Company is the Eastman Company?—A. The Nepera Company is now an Eastman Company, called the General Aristo Company.

Q. (By Mr. Clarke.) Have you named all the firms so far as your knowledge goes?—A. There is the New Jersey Aristo Company of Bloomfield, N. J., which has for convenience removed its plant to Rochester. That is one firm bought up by the General Aristo Company, and another is the Palmer Company, in Rochester. That is about all that have entered into the combination. The reason or the duration of the combination is that the American Aristo Company produces a paper that no firm as yet has been able to duplicate. Otherwise, my friends the dealers tell me (and as a very large one in Boston, Mr. Roby, of Organ & Roby, said), if a paper was produced equal to the American Aristo paper, the combine would soon be broken. The other papers are equal and even superior to what the combine turns out.

DATE OF FORMATION OF THE COMBINATION—ITS INCORPORATION.

Q. (By Mr. Farquhar.) At what time was the combine first formed?—A. In 1898, I think.

Q. Do you know whether the combination is incorporated?—A. I presume the General Aristo Company is incorporated because Mr. Eastman bought out the Nepera Company and the Aristo Company, and combined them into what is known as the General Aristo Company. I have learned that each firm used to pay for its own advertisements, but their bills are now all sent to Rochester.

NO PATENTS ON PHOTOGRAPHIC PAPER—SECRET PROCESSES.

Q. (By Mr. Clarke.) Is there any patent on this Aristo paper?—A. No; it is scientific knowledge. That is the principal thing in each factory.

Q. Are there any patents on any of these papers?—A. No; not that I know of.

Q. The processes of production then are kept secret as far as possible?—A. Yes.

EFFORT MADE BY THE COMBINATION TO PURCHASE THE KEYSTONE WORKS.

Q. Have you ever been offered an opportunity to enter what you call a combine?—A. Some years ago—it must be 6 or 7 years ago now—I received a letter from an attorney in New York, who I afterwards learned was the attorney for the Eastman Company. He made an inquiry of my friends in New York, and they knew he was working for the Eastman Company. I refused to enter into negotiations for the sale of my business to him.

Q. The proposition was to buy your business then?—A. Yes; to the extent that they asked what I would sell the business for.

NO AGREEMENTS AS TO PRICES—COMPETITION WITHIN THE COMBINATION.

Q. Have there ever been any negotiations between you and them or any correspondence in reference to fixing prices or making a division of territory, or anything of that sort?—A. No; nothing of that kind.

Q. Do you understand that the firms which are in the combination compete with each other in selling their different papers?—A. Yes; they compete but not in any injurious sense. For instance, the Velox is a separate and distinct paper from what the Aristo Company makes. The Aristo Company makes a printing-out paper that has to be printed in daylight, while the Velox is a paper which is printed by artificial light, as is my paper, called Vinco.

COMBINATION'S COMPETITION WITH OUTSIDE FIRMS.

Here is another letter showing how dealers are prevented from handling Vinco.

PHILADELPHIA, *October 10, 1900.*

JOHN CARBUTT, Esq.

DEAR SIR: In reply to yours of the 6th instant, will say that as a dealer in photographic supplies am a purchaser of your products with the exception of Vinco developing paper, for which I have had a number of calls, but am debarred from selling Vinco by the terms of the rebate contract with the General Aristo Company.

Yours, truly,

F. P. STREEPER.

Q. Has there been in recent years a rapid development of this business?—A. Yes; more so since the trust was formed than before, because it started several of what are called anti-trust makers of the paper. The paper called "Cyco" is manufactured in Chicago, I believe; and then there is another firm in Rochester, called the Defender

Company, which makes an anti-trust paper; and also a Mr. G. H. Croughton, who is making a paper similar to mine; and then a firm in Jamestown, where the Aristo people are—Mr. Gilbert; those are about the only ones I know of. There are several making a paper called the "Platinotype."

EFFECTS OF USE OF THE NEW PRINTING-OUT PAPER.

Q. Has the discovery and production of these papers practically revolutionized photography?—A. It has to a great extent, because the facilities are so much greater for rapid production than with papers that could be used only by daylight.

Q. Are those papers used by professionals as well as amateur photographers?—A. Yes. The professionals can not get them through their regular channel.

Q. (By Mr. LITCHMAN.) As to the permanency of the photograph—is the process of sufficient age to demonstrate that?—A. Yes, because bromide plates have been made for 40 years past; they are considered the best made.

Q. The peculiar characteristic of the Aristo paper is its permanency, its brilliancy?—A. No, it has been found to fail materially. But that may be owing to manipulation, of course. If correctly manipulated, it may possibly be very durable.

Q. Is the Velox paper of sufficient age to demonstrate its permanency?—A. They claim so, but it has been on the market for only 3 years.

Q. You are in a position to know, are you not?—A. Yes. I have evidence to this extent, that a very large number of those prints after a few months changed very much; but as I say that may have been due to bad manipulation.

DISTINCTION BETWEEN DEVELOPING-OUT AND PRINTING-OUT PAPERS.

Q. (By Mr. CLARKE.) Will you please define what you mean by developing-out and printing-out papers?—A. I can do that very briefly. A developing-out paper is one that is exposed in a dark room for a few seconds to either gaslight or electric light, and then a solution called a developer is poured over the paper and the image at once begins to appear. The paper is then washed and put in a fixing bath to dissolve out the silver that the light has not acted on. On the contrary a daylight or printing-out paper is one which must be exposed to daylight until the image is bold and vigorous. It then goes through the process of washing and removing the free silver, and is toned with a solution of gold, and then afterwards fixed in a fixing bath with hypo-sulphite of soda, a process which requires a great deal more manipulation. As an instance, with the assistance of a boy from the office to expose the paper, I have made 25 prints in 10 minutes—that is, exposed and developed them, and have put those 25 into a fixing bath, using the developing-out process; whereas, in some instances, it takes 25 minutes to print one print in daylight with the other printing-out process.

Q. Are these developing-out papers used for taking impressions from glass plates?—A. Yes.

USE OF PHOTOGRAPHIC PAPERS IN MAKING NEWSPAPER CUTS.

Q. Are you able to tell whether the Philadelphia newspapers use your paper or the trust's paper in making newspaper cuts?—A. Some of it is mine, some is what is called "Albumen" paper; some of the newspapers prefer a glossy surface paper, which is the Albumen or Aristo paper. There is 1 photographer named Wood that uses my paper to make his enlargements for some negatives for newspapers. This negative [indicating] is made on film by a customer of mine; that one is made on Eclipse plate, that other on the orthochromatic plate. Those are made through a color screen.

DEALERS OPERATING UNDER EXCLUSIVE CONTRACTS WITH THE COMBINATION.

Q. (By Mr. FARQUHAR.) In your testimony this morning you presented a memorandum of a proposed agreement sent to one Gus. A. Conradi, and dated at Rochester, N. Y., January 17, 1900. This paper was presented to you unsigned by one of the parties to it?—A. He wouldn't sign it. He discontinued selling trust goods and took up the selling of mine, and he is now one of my customers.

Q. Can you give the name of one or more responsible parties in the city of Philadelphia that operate under like agreements?—A. Oh, yes; all those that I have named. W. P. Buchanan and John Wanamaker now have in their safes numbers of rebate receipts for which they will receive money as long as they continue to sell combine goods. Mr. Grey, secretary of the Manufacturers' Club, testified to that.

Q. Have you in your business any like agreement with any of your customers?—A. No.

EFFORTS TO MONOPOLIZE THE IMPORTED PAPER—HOW A SUPPLY CAN BE OBTAINED.

Q. Is the monopoly in the importation of this product from Germany due to its being originally held by one house or one importer?—A. They expect to make a monopoly of it. They expect to supply this paper to others at an advanced price, but there is no one now that buys paper of them.

Q. Is the importing into this country done by a foreign importing house through an agency, or by an American house?—A. By an American house. I get it now through an importer in New York.

Q. Through an independent importer in New York?—A. Yes.

Q. Have you ever made any investigation to find out whether those people that supply the Aristo Company have control of the entire supply through the New York house?—A. No. Two importers in New York get my paper. Neither of them sells to the combine nor do they desire it to be known they are furnishing to others. On the other hand, there are also two importers in New York who advertise themselves as agents for foreign papers who will not sell to me or anyone outside the combine.

Q. But you can get the papers in New York?—A. I can get the papers in New York through a New York importer, but as I say it is at a more advanced price than I used to pay.

Q. You are not able to say but that the competitor pays an advanced price too?—A. No.

Q. Do you regard the New York house as a monopoly in holding these papers exclusively for sale to the combine?—A. Well, it is a monopoly in this way, that I have made application more than once to buy paper of them and it was refused me.

EXCLUSIVE CONTRACTS WITH COMBINATION.

Q. Must all purchasers make memorandum agreements of this character?—A. All that sell the combination paper, the sensitized paper, have to sign that agreement; otherwise they will not obtain the goods.

Q. (By Mr. Clarke.) Do you think of any further statement?—A. I merely wish to emphasize that I shall be very glad indeed when I can go to my customers to whom I sell plates and sell paper to them also. There is a house in San Francisco and others all over the country who are buying my plates, but to whom I can't sell my paper, because they are selling what is generally called the combine or trust papers.

Q. Do you think any changes in the laws are necessary to protect you from this alleged combination?—A. The United States statutes seem to cover the ground thoroughly if the matter were simply brought to suit.

Q. As you have not complained to the United States district attorney, suppose you do that.—A. I am very glad, indeed, for the suggestion, and I will do so. I will take that up at once.

(Testimony closed.)

Philadelphia, Pa., *December 22, 1900.*

TESTIMONY OF MR. WILLIAM B. DAILEY.

Manufacturer of photographic paper, East Orange, N. J.

The special sub-commission met after recess at 2 p. m., at the Manufacturers' Club, Mr. Clarke presiding. At 3.10 p. m. Mr. W. B. Dailey, of East Orange, N. J., a manufacturer of photographic paper, was introduced as a witness and, being duly sworn, testified as follows:

Q. (By Mr. Clarke.) What is your name and post-office address?—A. William B. Dailey, 46 Marcy Avenue, East Orange, N. J.

BUSINESS CARRIED ON BY WITNESS—THE UNITED STATES ARISTOTYPE COMPANY.

Q. What is your occupation?—A. I am employed in the manufacture of photographic sensitized paper.

Q. Do you carry on the business yourself or are you employed by others?—A. I carried on the business personally until February, 1899, when we organized a stock company under the laws of the State of New Jersey to carry on the business. Previous to that, since 1893, I had owned the business personally, manufactured the photographic paper, and carried the business on under the name of the United States Aristotype Company, located in Bloomfield, Essex County, New Jersey.

Q. Is that the name of your company at present?—A. Yes; it is now a stock company, in which I am the general manager.

Q. Are you willing to state the amount of capital and the number of hands employed?—A. The company is capitalized for $25,000.

UNITED STATES COMPANY IS INDEPENDENT OF THE TRUST.

Q. Have you any contract or combination with any producers of similar material or material used for similar purposes?—A. No. On the contrary, we are one of the outsiders. We are one of the independent manufacturers, independent of the General Aristo Company, commonly called the photographic trust, which is controlled principally by the Eastman Kodak Company, of Rochester, N. Y. The business I used to do prior to February, 1899, was with the general stock dealers throughout the country. We manufactured a sensitized paper for making photographs, and the brand was called "Maxima." To-day our brand has the same name. As I say, we did business generally with the retail dealers and jobbers throughout the United States; more largely through the eastern cities than through the West. We sold a great deal through Boston and the East; also New York and Philadelphia. We had dealings with the principal stock houses of Philadelphia; also with the dry goods houses—John Wanamaker, Gimbel Brothers, Williams, Brown & Earle, who are dealers in photographic goods, and also with the general supply companies on Arch Street, such as Buchanan, Howarth, and others.

GENERAL ARISTO COMPANY'S EFFORT TO CONTROL RAW MATERIAL—PURCHASE OF FACTORIES.

About the first of the year 1899, the General Aristo Company bought up the majority of the factories similar to our own. They also at that time got control of the raw product that we imported from Germany. Some of the American manufacturers had contracts with the manufacturers in Germany, so they were protected for a certain length of time; and these which were thus protected the General Aristo Company purchased as far as possible. I believe at the beginning they were unable to purchase one concern because it held its price too high at that time. That was the Nepera Chemical Company, of Nepera Park, N. Y., near Yonkers. But I had no contract at that time, and consequently I was shut off from a supply of raw paper almost completely, although I was able to get some of certain kinds. The General Aristo Company issued a circular to the dealers, stating that they had control of this raw product and that in the future, dealers must buy exclusively their products, or rather they put it in this way: They issued a circular stating that the prices would be a certain figure on certain sizes. Previous to January 1, this paper, which was sold largely to the professional photographers in gross bunches, called cabinet size, was being sold at a list price of 75 cents. The cost to the dealer at wholesale was 55 cents. When the General Aristo Company got control of things the price was put up so that the retail price was $1.35 and the wholesale price about $1.01, almost double what it had been. We were able to get some stock, however, and began to put up some sort of a fight.

ARISTO COMPANY OFFERS FULL REBATE ONLY TO DEALERS WHO SELL ARISTO GOODS EXCLUSIVELY.

The Aristo Company's method of sale is as follows:[1] The goods are sold at a certain figure, less 15 per cent, and if the retail dealer does not buy, sell, or handle in any way, shape, or manner the paper manufactured by any other manufacturer, he is allowed an additional rebate of 12 per cent about three months after the purchase of the goods, so the Aristo people always have a certain amount held back from a dealer. Some of the dealers bought more of our paper than they did of papers that were controlled by the General Aristo Company. Consequently, after looking over the matter, they said, "If we give up the United States Company's goods we will get 15 plus 12 per cent discount on the General Aristo product, but we will lose more by that than if we take only 15 per cent discount on the Aristo, sacrifice our 12 per cent rebate and handle the independent manufacturer's goods, which we can get at about 33⅓ per cent discount instead of 25 per cent." They were making more on our product and in many cases had more of a sale on our product than they had on the Aristo paper. Consequently that is what they started out to do, because the Aristo contract did not prohibit them from doing that—simply said that by so doing they would sacrifice the 12 per cent rebate. Nearly all the dealers commenced to do that, and the General Aristo Company saw their mistake, or rather saw that the dealers were not taking their goods alone.

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[1] See pp. 174, 192.

ARISTO COMPANY THREATENS THE DEALERS UNLESS THEY HANDLE ARISTO PAPER EXCLUSIVELY.

The Aristo people then called on the dealers personally and had an interview with them; they did not send out circulars or written matter that could be used as evidence. Mr. Moreau, of the Eastman Kodak Company, visited New York at the time and called on the dealers, and his conversation with a number of those dealers, as they related it to me, was something like this: "Now, Mr. So-and-so, of course you understand that we must get more money for our goods; the prices have been very low and we have not been making any money on them and we are allowing you to make your full profit. We are giving you the full list price and we protect you and we expect you to stop handling these other men's paper. Of course, we are not making any threat; we do not say you have to do it, you understand, but you know we control cameras and films on which we have patents, and if you could not get these other goods it would be very disagreeable for you. Now, we do not say to you that we will do that, you know, but you had better think of that." Consequently they thought of it very seriously, and the result was that they said, "We have a lot of these other men's paper on our shelves and we do not feel like sending it back to them; some of it has been paid for; what are we going to do with it?" The Eastman Company or rather the General Aristo Company went through the country with that same story, as I have related it, or one similar to that, and they took all our goods from the retailers and sent them to Rochester, and allowed the retailer the price which he paid us for them. Consequently in about ten days our goods were off the market completely. We had hardly any dealer whatever in any cities to sell our goods.

EASTMAN COMPANY REFUSED TO SELL GOODS TO R. H. MORAN BECAUSE HE HANDLED INDEPENDENT PAPER.

There was one dealer in New York who intended to become interested in our business with us. When the price went up, he thought he had a little chance to make some money. We were not selling our own paper at quite so high a price, in order that we might have a good market. This dealer intended to go into this same business with us, and he thought for some time he would just as soon sacrifice this 12 per cent; we were about reorganizing our company, and we sent out circulars with his name on—it was R. H. Moran, on Sixteenth Street near Broadway. Well, for about six weeks his connection with us continued. Then they came right in on him and told him he had better stop it or he would regret it. He said he had decided to give up the rebate and sell our paper. After that, he would send orders to the Eastman Kodak Company for cameras, and films, and such things, and they would write him, "Mr. R. H. Moran. You order received but we are not quite ready to ship the same." That thing went on from week to week, for about six weeks or two months, and Mr. Moran could not get any goods, such as films and cameras, and they were all off his shelves, and he was in a pickle. The paper is not an item large enough to compensate the dealer if he has to sacrifice the profit on all these other things. Mr. Moreau, of the Eastman Company, called on Mr. Moran personally a number of times. I saw him in there myself. Finally, Mr. Moran said to me, "Well, Dailey, there is no use; if I continue this thing they will ruin my business, that is all." So he stopped it.

THE ARISTO COMPANY'S COERCION OF THE BLACKMER COMPANY.

Another similar case was in Newark—the Blackmer Photo Supply Company. The Blackmer had two companies. Mr. Blackmer was manager of both of them; both were incorporated companies; one was the Blackmer Company, and the other, I believe, the Blackmer Art Company. Mr. Blackmer decided that he would continue to handle my paper as well as the Aristo paper. One of his companies—the one upstairs, was to handle the Aristo paper exclusively, while his other company would handle the independent paper. It went on about a week or two, and then Mr. So-and-so, of the Aristo Company, called. "Mr. Blackmer, you are violating our rules." "No; I am not," he replied, "in my store I am selling your goods only; these other goods are being sold in the other store." "It does not make any difference," continued Mr. So-and-so, "you may be living up to the letter of the agreement, but you are not to its spirit." Well, Mr. Blackmer would not listen to them but undertook to fight. Consequently, he could get none of the products of the General Aristo Company, none of their papers, nor could he get anything from the Eastman Kodak Company. He put up about as game a fight as anybody could for nearly a year.

But, finally, it was the same thing with him. He said to himself, "I am losing money; there is no use talking; I have fought it hard this year, but I can not get the goods to sell; the paper alone is not enough." So he had to give in, and so it has gone in a number of cases.[1]

THE ARISTO COMPANY'S COERCION OF DEALERS GENERALLY.

We advertise to some extent, and will get answers from those advertisements, perhaps from a drug house or a hardware store which is thinking of putting in photographic supplies. A letter will come: "Kindly send us your circulars and samples and quote your best prices." We are in a position to-day to quote remarkably low prices. We will quote them perhaps 25 per cent what the trust will quote them. No response. Then I will write a letter to this party and ask him what the trouble is—whether the goods or the prices were not satisfactory. An answer will come back like this: "The goods and prices are satisfactory, but we have found it necessary to make contracts with the trust, and consequently we can not handle your goods." I recently received a letter from the Weed Hardware Company, Buffalo, N. Y., which contained almost these identical words. Moreover, that has been a general thing the country over. I am now trying to get another letter which a certain party says was written him by the General Aristo Company. We dealt with him this summer, and he owed us a little bill of goods for which we could not get the money. We wrote him a letter stating that we would have to sue him if he did not pay for it, and he wrote back and asked us to be lenient in the matter; that through handling our paper he had got into all kinds of trouble with the General Aristo Company; that they had formerly sold him their papers and products, but that they had found out that he was buying some of our paper, and consequently he had been shut off on all his other goods, and it had caused him a great deal of loss. I have written to him stating that if he will forward me that letter we will send him a receipt. I do not know whether we will get it or not.

CONTROL OF RAW MATERIAL—ADVANCE IN PRICE OF PHOTOGRAPHIC PAPER.

Now, at first, as I stated a short while ago, they cornered the raw stock on us. It was about a year or so before we could get any great amount of paper to sell. Other manufacturers in Europe commenced making it, and at present we have a contract with a manufacturer by which we buy our product considerably lower, but the trust is able to undersell us to a considerable extent.

Q. (By Mr. CLARKE.) Is the paper which you obtain from Germany as good as theirs?—A. Well, it answers every purpose. It is so nearly the same that there is nobody who can practically see much difference in it. It is a trifle different, but in every respect practically as good.

Q. How did they get control of the German product?—A. The foreign product has been made possibly for 40 years by practically two companies—the Steinback Company, Malmedy, Germany, and the Rives paper, made in Rives, France. Those two have been the standard papers for perhaps 40 years. Attempts have been made a great many times to make the paper in this country, but with varying success. It is not just right yet. Well, these companies, so to speak, combined, a combination which I understand was due to the General Aristo Company. For about a year the price that we had to pay for our raw stock was considerably advanced—from about 33 cents a pound to 52 cents—and we paid that advanced price for about 10 months without getting any more for our goods. As I have understood since from good authority, the General Aristo Company was not paying that price, but we other fellows on the outside were paying that price, and we were all losing money, as far as our end was concerned. The advance in the price of raw stock made an advance of possibly 20 to 25 per cent in the cost of our manufacture. The Aristo Company gave as an excuse when they raised the price of their product that the raw paper cost them more. Well, it did cost perhaps 20 or 25 per cent more for the material, but the labor cost no more, and yet they advanced the price of the manufactured paper almost 100 per cent.

SUCCESSFUL COMPETITION WITH TRUST ONLY POSSIBLE BY DIRECT SALES TO CONSUMERS.

I think the only way we can compete is to sell direct to the consumer; in almost every instance that is the way we do. We have an office in New York and there we had considerable business. Where we used to do over a thousand dollars every month in the city of Boston alone, in the last two years I do not suppose we have sold two hundred dollars' worth. We have tried opening offices in various cities but

[1] On this point, see statement by Mr. Abbott, p. 202.

the expense does not warrant it. We have sold in Philadelphia, and we pay the express and undersell the trust. The trust is selling at $1.25 a gross. I go to a man and say, "I have a paper which will suit you, but you will have to order from the factory. I can sell that paper at a dollar and you will save some money." Of course, I talk down the trust at the same time, and I get that man for a customer and he buys that paper. Pretty soon the trust comes along and finds him buying Maxima paper at a dollar a gross. They go to him with a paper under another name, another brand, which is identically the same thing, so far as anybody can see, and they sell it to him at a dollar or 97 cents. They furnish it to the dealer. The dealer makes 10 per cent profit on that, while he makes 25 per cent profit on the goods sold at $1.35. So where we have been putting our paper in at a dollar to the customer who will order from the factory, they follow us up and give the customer a price of a dollar and let him have it right on the spot. The purchaser, rather than send to Bloomfield for it, can send right around the corner and get it. So the only thing left for us to do is to underbid the trust. We must come down again, and in a great many cases where we come down too low for them to sell through the dealer, they will sell direct to the consumer, as we try to sell to him.

THE TRUST CONTROLS DEALERS THROUGH EXCLUSIVE CONTRACTS.

They also try to get the consumer under contract for a number of months, as they have done in a great many cases. I called to-day on a party in Philadelphia who has been under a six months' contract which expires sometime next month. He told me he has an amount due him in the way of rebates, and if he touched any other paper he would sacrifice those rebates. I said, "Will you not try a sample of our paper, so that when your contract expires you will know what kind of a product we can give you?" He said, "I would not dare touch it, because if anybody found that out I would lose my rebate." And that is the way the situation stands. All the dealers are afraid to touch it—not all of them, but a big majority.

TRUST ONLY BOUGHT OUT MANUFACTURERS WHO HAD CONTRACTS FOR RAW MATERIAL.

Q. Has the trust attempted to buy you out?—A. No, they have not. In the beginning they did not consider it worth while to buy out certain manufacturers, because we did not have any contracts for paper, and they did not believe we could get any. They have not approached us at all in the way of buying us out. I suppose they figure that if they were to buy us out at the present time, somebody else would start up, since raw paper can be had rather cheaply.

Q. Have you approached them with an offer to sell?—A. No, not at all.

THE EASTMAN COMPANY'S PRODUCTS ARE INDISPENSABLE TO PHOTOGRAPHIC DEALERS.

Q. (By Mr. Litchman.) Is the use of the Eastman Company's products indispensable in the business of selling photographic supplies?—A. If I were a dealer I would consider it almost absolutely necessary to have the Eastman Company's goods.

Q. Does that statement apply to the cameras or films?—A. That applies to the cameras and films, which go in connection with each other. As far as Eastman's paper is concerned, anybody can get along without that.

Q. Is it sufficiently desirable to handle the Eastman camera and Eastman films to throw over your paper for the sake of doing so?—A. Yes. If dealers handle our paper they can not have the Eastman cameras, paper, or films; nor any paper manufactured by the General Aristo Company.

Q. Is your paper a developing or a printing out paper?—A. It is a printing out paper similar to Eastman's Solio paper.

Q. Is it similar to the Aristo Platinum?—A. That has a dull surface; ours is glossy.

A COMPANY MAKING USE OF THE BOYCOTT SHOULD BE PROHIBITED FROM CARRYING ON BUSINESS.

Q. Have you any remedies to suggest?—A. As I understand it, to boycott anybody's goods as described is unlawful. I suppose if we went into a lawsuit and had money enough to fight it we might get the best of it; but such things are so expensive that we do not feel able to do so. The only remedy I can see is to prohibit a company that acts in this way from doing business.

Q. (By Mr. Clarke.) Have you complained to any United States district attorney that the combination is violating the law?—A. No, I have not; the reason is that I have been collecting evidence and I thought when the time was ripe I might do so.

THE TRUST DESTROYS THE AMERICAN SELF-TONING COMPANY OF NEWARK, N. J.

There was a company in Newark, N. J., called the "American Self-Toning Paper Company," that sold a great deal of its product all over this district, and they had that patented, and also their name copyrighted. They were doing quite a large business and the trust offered to buy them out, which offer they refused, not thinking it large enough. They had a very nice plant in Newark and were doing a good business and making a good deal of money. They did not sell out, so the trust boycotted their goods. The trust did not boycott their goods as quickly as ours. They commenced on ours the 1st of January, 1899, and they did not throw this paper out until about the 1st of September, 1899; but, on the other hand, when they did throw them out they prohibited the dealers from selling their goods when the dealers had a considerable stock on hand. The trust did not buy that paper out, and the dealers could not sell it, and did not know what to do with it. Consequently, those dealers who had not paid the bills shipped it back to the American Self-Toning Company. The goods were perishable and great quantities came back on the company's hands and they lost a great deal of money. The accounts being small, if they had undertaken to sue all, they would have had a couple of thousands of suits on hand, and it looked as if it would not pay them. They were losing all their business, and it was not very many months until they were in a receiver's hands. To-day they are shut up tight.

Q. (By Mr. LITCHMAN.) Could the fact be established that that was done through the influence of the General Aristo Company?—A. Yes; the American Company, so I understand, made complaint to the Attorney-General of the United States.

Q. Was any action taken?—A. Not that I can say; and that was one reason I was not so quick about complaining. They did not seem to get any satisfaction whatever.

Q. (By Mr. CLARKE.) Why not make application to the local district attorney? Would not the Attorney-General ordinarily refer a matter of that kind to the local district attorney?—A. I presume that is right. I did not think of that. I called on them in Newark, and we thought if we united all the manufacturers and put in our complaints together, they would have more weight than an individual complaint. Then the American Company went out of business shortly after that, and I did not do anything further in that connection, and this is the first I have said anything about it—officially, you might say.

SUGGESTED REMEDY—GOVERNMENT SHOULD CARRY ON SUIT AGAINST OFFENDING COMPANY.

Q. Do you know of any defects in our laws that you think should be remedied to prevent this kind of practice?—A. Of course I do not understand the laws any too well, but I understand that it is unlawful for any company to boycott another company's goods, which seems to be the case here. I should say this was a boycott. It is not a criminal offense, and I suppose if we want to get any satisfaction in the courts we would have to be the ones to fight it. The only thing I can suggest is, that if the weak small manufacturer is to have any kind of chance against the big one, the Government must be the one to institute the fight.

REMEDY PROVIDED BY THE ANTI-TRUST LAW.

Q. Have you read what is known as the anti-trust law?—A. I have read it, but I do not recollect it very thoroughly just now.

Q. Have you consulted a lawyer concerning this matter?—A. No; I have not; I have taken no action whatever. I happened to be in Philadelphia and heard of John Carbutt making some sort of statement here, and I thought I would like an opportunity to say what I knew about it.

Q. If you knew that the law already prohibits combinations, contracts, and practices in restraint of trade and of a monopolistic character and oppressive to individuals, and that it is made the duty of United States prosecuting officers to institute criminal proceedings against violators of that law, so that it would not cost you anything except to furnish your evidence, would not that seem to you the remedy that you need?—A. That seems to be the right remedy. Either that or to prohibit the company that resorts to these methods from using the United States mail, or whatever remedy the Government may find necessary. I do not know of any combination that carries on the thing with quite as high and open a hand as this one does. It seems to me to be the sort of company to make an example of.

(Testimony closed.)

WASHINGTON, D. C., *March 11, 1901.*

TESTIMONY OF WALTER S. HUBBELL.

Counsel, General Aristo Company.

The commission met at 10.40 a. m., Vice-Chairman Phillips presiding. At that time Mr. Walter S. Hubbell was introduced as a witness, and, being first duly sworn, testified as follows:

Q. (By Mr. CLARKE.) Please give your name and post-office address.—A. Walter S. Hubbell, Rochester, N. Y.

Q. What is your occupation?—A. I am a lawyer.

Q. Are you counsel for the American Aristotype Company?—A. Yes.

CAPITAL STOCK AND BUSINESS OF THE AMERICAN ARISTOTYPE COMPANY.

Q. Can you give us the history of the formation of that company, including the amount of its capitalization, and, in short, the financial status of the company?—A. The American Aristotype Company was incorporated in 1889 with a capital stock of $150,000. Of this amount $25,000 was preferred stock and $125,000 was common stock. There has only been issued $8,500 of the preferred stock. The balance is still in the treasury. The company is incorporated under the laws of the State of New York—under the general business act.

Q. What is the company's business?—A. It is a manufacturer of photographic sensitized papers and of toning and developing chemicals.

Q. Does it have anything to do with manufacturing and selling cameras and other photographic supplies?—A. It does not.

ORGANIZATION AND CAPITAL STOCK OF THE GENERAL ARISTO COMPANY.

Q. Are you also counsel for the General Aristo Company?—A. I am.

Q. Please tell us about the organization, capitalization, and character of the business of that company.—A. That company was incorporated under the laws of the State of New York in August, 1899. It was formed for the purpose of purchasing several other different companies engaged in the manufacture of sensitized photographic paper. The capital stock of the General Aristo Company was $5,000,000. One-half of the amount was preferred and the other common stock, the shares being of the par value of $100 each. The stock has all been issued excepting $100,000 of preferred and $100,000 of common, which still remains in the treasury of the company.

COMPANIES PURCHASED BY THE GENERAL ARISTO, AND CAPITAL STOCK OF EACH.

The various companies which were taken over on the formation of this company were the American Aristotype Company, of Jamestown, N. Y.; the Nepera Chemical Company, of Nepera Park, N. Y.; the New Jersey Aristotype Company, of Bloomfield, N. J.; the Kirkland's Lithium Paper Company, of Denver, Colo.; the Photo-Materials Company, of Rochester, N. Y., and the photographic paper business of the Eastman Kodak Company, of Rochester, N. Y.

As I have stated, the American Aristotype Company had a capital of $150,000, and was incorporated under the laws of the State of New York in 1889. The Nepera Chemical Company was also organized under the laws of the State of New York with a capital of $25,000. The shares were $100 each. The New Jersey Aristotype Company was organized under the laws of the State of New Jersey with a capital of $100,000, divided into shares of $100 each, and all of these shares had been issued excepting one share, which remained in the treasury at the time we bought them. The Kirkland's Lithium Paper Company was incorporated under the laws of Wyoming, but had its principal office at Denver, Colo. It had a capital of $25,000, divided into $100 shares, and all this had been issued.

MERGING OF COMPANIES PURCHASED INTO A SINGLE COMPANY.

Each of these concerns, or the capital stock of each, was purchased outright upon the organization of the General Aristo Company, with the intention of discontinuing them as separate and distinct companies as rapidly as possible; and since that time the Photo-Materials Company, of Rochester, has been merged in the General Aristo Company by legal proceedings under the corporation law of the State of New York. The papers were filed in the secretary of state's office I think about six months ago. The Nepera Chemical Company, of Nepera Park, has also been merged in the General

Aristo Company by legal proceedings, the papers having been filed in the office of the secretary of state of the State of New York. The New Jersey Aristotype Company has been discontinued for business reasons, and the corporation has been legally wound up under the laws of the State of New Jersey. The Denver plant, the Kirkland's Lithium Paper Company, was a small affair, and the Aristo Company moved the machinery to New York, and we were advised by counsel that no steps to discontinue the corporation need be taken there; it might simply stop business. The leading men in it—there were 3 men, I think—were brought on and paid salaries in Rochester by the General Aristo Company, and the machinery, what there was of it, was moved to Rochester. That leaves only the American Aristotype Company. We were very anxious to discontinue that as a separate organization, but were prevented from doing so by reason of the fact that there were outstanding contracts, and we were fearful that if the company was merged in the General Aristo Company, that this merger would violate some clauses of these contracts. Therefore we have been compelled to hold that company as it is until an adjustment can be made under this contract. We think that will soon be done, and as soon as it is done we propose to discontinue the American Aristotype Company as a separate organization.

THE AMERICAN ARISTOTYPE COMPANY DOES THE MOST BUSINESS OF ANY ARISTO PLANT.

Q. Is that company actually doing business?—A. The American Aristotype Company is doing the best business of any plant that we have. The General Aristo Company owns all of its capital stock, excepting that there are, I think 10 shares, standing in the name of each director simply to qualify them to act as directors of the company.

CONDITION OF PHOTO MATERIALS COMPANY AT DATE OF PURCHASE.

Q. Had the shares of the several constituent companies been paid for at par prior to the organization of the General Aristo Company?—A. The Nepera Chemical Company had a capital of only $25,000. How much money was paid into it I do not know, but I do know that the plant was worth 20 or 30 times that much—the plant and business and the patents. I know nothing about its inception excepting what I heard incidentally when we purchased it. The Photo Materials Company was a company that had been organized through the influence of 3 men, 2 of whom were chemists employed by the Eastman Kodak Company, and 1 of whom was a traveling man for the Eastman Kodak Company. They secretly went to work while in the employ of that company to organize a company of their own. They got capital in Rochester, and as soon as it was learned that they were doing this, they were discharged, and then they organized this Photo Materials Company. It had a capital of, I think, $150,000. They built a factory and commenced operations. They were unable to do much of any business excepting some in the paper line, and finally the Eastman Kodak Company purchased the bonds, of which there were in the neighborhood of $90,000 outstanding, at 50 cents on the dollar, and the capital stock was thrown in for nothing. The company had made a perfect failure. By the way, I should have said that the mortgage which was given to cover the bonds was foreclosed by the Rochester Trust and Safe Deposit Company, and the property covered by that mortgage was bought in by the Eastman Kodak Company after it purchased the bonds.

Q. What was the object of absorbing that company, its business having proven a failure?—A. They were manufacturing a paper which was competing with ours, and so we purchased the concern, getting it very cheap. We thought that was the best business way to handle the matter, rather than to litigate or fight them in any other way. The men who were interested were mostly business men of Rochester, who knew practically nothing about the business, and they were very glad to get it off their hands.

THE EASTMAN KODAK COMPANY IS THE SALES AGENT FOR THE GENERAL ARISTO COMPANY.

Q. What relation to the General Aristo Company does the Eastman Kodak Company sustain?—A. It is its trade agent.

Q. Will you explain exactly what is meant by that?—A. The General Aristo Company appointed the Eastman Kodak Company its trade agent to market all its goods. The Eastman Kodak Company and its predecessors had been engaged in the manufacture of films, kodaks, and paper for a good many years. It had a very large business. It did not manufacture the kind of paper which was manufactured by the American Aristotype Company. They were fierce rivals in the paper business,

though not making the same kinds of paper. The Eastman Kodak Company had, of course, a very large trade in its particular line all over the United States, and an arrangement was made by the General Aristo Company with the Eastman Kodak Company for the latter to act as sales agent, because we thought it would be for the advantage of our company to do so. The General Aristo Company pays to the Eastman Kodak Company a commission on the sales of the General Aristo product by the Eastman Kodak Company.

OWNERSHIP OF THE STOCK OF THE EASTMAN AND THE GENERAL ARISTO COMPANIES.

Q. Is the stock of the Eastman Kodak Company largely owned by the General Aristo Company?—A. It is not; not a dollar of it.

Q. Is the reverse true? Is the stock of the General Aristo Company owned by the Eastman Kodak Company?—A. Partially true. When the General Aristo Company was organized it purchased the photographic-paper business of the Eastman Kodak Company and paid for it in stock of the General Aristo, but the Eastman Kodak Company does not own or control a majority of the stock. When the General Aristo Company was organized there was about $710,000 or $720,000 of its stock put on the market in Rochester, and the company was floated in the ordinary way, and that stock was taken by the business men and bankers of Rochester. It was oversubscribed 2 or 3 times, and there are about 500 stockholders in the company now.

CAPITALIZATION OF ARISTO COMPANY LARGER THAN TOTAL OF CONSTITUENT COMPANIES.

Q. How does the total amount of capital stock of the General Aristo Company compare with the aggregate capitalization of the constituent companies?—A. It is very much larger.

Q. What was the basis of that increased capitalization?—A. What we were obliged to pay for the concerns. For instance, the Nepera Chemical Company had a capitalization of only $25,000, but they had built up a very fine business, and a very large sum was paid for that business. The amount of the capital stock did not at all represent what the General Aristo Company had to pay.

Q. (By Mr. Phillips.) Was that true of all the companies to a certain extent?—A. Of all the companies with the exception of Kirkland's Lithium Paper Company and the Photo Materials Company. We paid less for these than the amount of their respective capital stocks. The other concerns were prosperous going concerns owned by rivals, and we had to pay well for them.

PROPERTIES OWNED BY THE GENERAL ARISTO COMPANY.

Q. (By Mr. Clarke.) What real estate and personal property does the company own?—A. It owns the capital stock of the American Aristotype Company. It owns the real estate and plant which it is operating at Nepera Park. It owns the Bloomfield plant at Bloomfield, N. J. It owns the plant, buildings, and real estate of the Photo Materials Company at Rochester and is operating that. That is all, as far as I recollect now.

Q. Are you prepared to give the value of these respective plants—of the real estate, machinery, etc.?—A. I can not at present.[1]

CAPITALIZATION REPRESENTS CHIEFLY THE VALUE OF THE BUSINESS, OF SECRET PROCESSES AND PATENTS.

Q. (By Mr. Phillips.) Your capital, then, is based largely on the business of the various concerns and not on the real estate?—A. Yes. The value of a going plant, manufacturing either photographic films or photographic paper, consists very largely in the value of its good will, of its secret processes of trade and of manufacture, and in some cases of its patents. For instance, the American Aristotype Company, when we purchased it, did not have a very large plant; but it had a very large business, and it had the control of a certain class of paper called collodion paper. The Eastman Kodak Company at that time was making a gelatin paper, and they were great rivals—these two concerns—and our company had to pay a very large sum for the business of the American Aristotype Company. The value of it was in its secret processes of manufacture, and not by any means in the visible tangible property which it had.

Q. (By Mr. Clarke.) Are these secret processes patented?—A. I do not know.

[1] Witness later stated that on January 1, 1901, the value of the plants and property of the General Aristo Company, as shown by the books of the company, was $5,027,767.64. This embraced everything of value owned by the company, including the capital stock of the American Aristotype Company.

RAW PAPER USED IS PURCHASED ABROAD—ATTEMPTS AT DOMESTIC MANUFACTURE.

Q. Is the paper entirely manufactured in this country, or is it prepared in this country from the foreign raw paper?—A. It is manufactured here by coating the foreign raw paper. The raw paper is purchased entirely abroad.

Q. Why is that paper purchased entirely abroad?—A. Because the best is made abroad, in our judgment.

Q. Have any efforts been made by the General Aristo Company, or any of its constituent companies, to produce a similar article in this country?—A. I can not answer that. I know from hearsay, however, that many efforts have been made in this country to produce a paper that will compete with the French and German papers.

THE GENERAL ARISTO COMPANY'S CONTRACTS WITH FOREIGN PRODUCERS OF PAPER.

Q. Has the General Aristo Company made any contract with foreign producers, either by itself or through any of its constituent companies, for controlling the entire exportation of that paper to this country?—A. Yes.

Q. Is that contract with more than one foreign company?—A. Yes.

Q. Are the contracts with foreign companies alike?—A. From recollection, I should say substantially alike. It may be that they are different as to prices that are paid different companies for different papers.

Q. Have you a copy of that contract with you?—A. I have not.[1]

Q. (By Mr. Farquhar.) For what length of time are these contracts made with foreign manufacturers?—A. I think it is a 5 or 10 years' contract, but I am not certain from recollection.

Q. Were these contracts offered to other parties in America than the companies that actually purchased? In other words, did the foreigners come into this country to make the best bargain they could with the best parties?—A. They have been selling paper in this country for years, both by their own agents and by foreign houses renting American stores here and distributing. They agreed if we would take only their products that they would sell only to us in this country. Prior to the organization of the Aristo Company, the foreign companies had one contract with the American Aristotype Company and another contract with the Eastman Kodak Company to practically the same effect, and when the paper business of the two companies was purchased by the General Aristo Company, the foreign producers made that same contract with the General Aristo Company. However, I understand from reading the testimony of the principal witness who has made those charges against us, who is a rival, that he has no trouble whatever in getting paper either in Europe or in this country.

Q. So that your contracts are not exclusive, then, if his testimony is correct?—A. He did not say he got paper from these two companies.

Q. Did he not say he got it from parties there that bought from this American company?—A. Possibly he did; yes.

Q. Of course, you could not control that?—A. We could not control that; no.

Q. After they made the contract with you, did the foreign houses then abandon their distributing plants in this country?—A. They kept up all distributing stores that they had. They had offices to take orders here, but they did not carry any stock on this side.

EASTMAN KODAK COMPANY'S PREFERENTIAL CONTRACTS WITH DEALERS.

Q. (By Mr. Clarke.) Are you also counsel for the Eastman Kodak Company?—A. Yes.

Q. Are you familiar with the contracts which that company has made with the dealers and selling agents throughout the country?—A. Only in a very general way. I know nothing about the technical part of their business any more than any lawyer would know of a client's business, although I am a director of that company myself.

Q. Has that company tried to prevent its selling agents and dealers generally who purchase its goods from handling the goods of rival companies?—A. I understand that the Eastman Company says to a dealer, "We will give you special inducements if you will confine yourself exclusively to the sale of our goods."

Q. Do you know what the special inducements are?—A. A special discount.

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[1] The exact language of the terms of sale between the General Aristo Company and the foreign manufacturers of raw paper was later stated to be as follows:

"The General Paper Company gives to the said General Aristo Company the exclusive right to purchase, and the exclusive sales agency for North America, of the papers described above, at prices and terms already established.

"The General Aristo Company on its part must agree: First, that it will not purchase, use, or prepare any paper for sensitizing with either collodio-chloride or gelatino-chloride printing-out processes, or gelatino-chloride or bromide developing processes, other than that furnished by the General Paper Company.

Q. Is that uniform to all these merchants who handle these goods?—A. Absolutely to everybody in the United States.

Q. Are you able to state that discount?—A. I am not.

Q. The principal charge which has been made is that the General Aristo Company made contracts with dealers which bound them not to handle the goods of rival companies, and that was believed to be a contract in restraint of trade. Now, do you understand that the contracts made by the Eastman Kodak Company with selling agents and with the trade are of that character?—A. I do not understand what you mean by "of that character." If you mean contracts in restraint of trade, I would say very positively no. My understanding of the right of a corporation under the laws of the State of New York to put conditions upon the sale of its goods goes to this extent, that a single corporation has a right as an individual has to say to a customer, We will not sell you goods unless you will sell no other goods but ours; if you do do that, we will not only continue to sell you goods, but we will give you a special discount. I do not understand that these contracts go any further.[1]

Q. A territorial contract?—A. Yes.

Q. Is that common, for instance, with Earle & Wilson and a great many other concerns?—A. So I understand it. I do not know particularly about the firm you mention. I understand in other lines it is common, and the courts have said it is lawful.

Q. (By Mr. CLARKE.) You admit, I suppose, that the contracts which you have made with dealers are in restraint of the trade of your rivals?—A. I would not admit that even, unless you will define more particularly what you mean by "restraint of trade of rivals." New rivals have sprung up since we have incorporated. There are more men engaged in the business of manufacturing photographic paper to-day than there were when the General Aristo Company was organized. There are a good many concerns engaged in that business now and in direct competition with us. The price not only of their goods, but of ours, has been cheapened over what it was at the time our company was organized.

Q. (By Mr. FARQUHAR.) In what sense do you use the phrase "restraint of trade?"—A. I meant restraint of trade as defined in our criminal statutes, and in our statutes against contracts in restraint of trade. If you use the terms in a broader sense, why in the broader sense these contracts do restrain dealers from selling goods.

Q. Do you handle other goods besides those made under secret process or under patent?—A. The General Aristo Company does not.

Q. It is devoted exclusively to the manufacture of this class of paper?—A. It also sells toning and developing chemicals; of course, that is a small part of the business. The principal business is the manufacture of sensitized photographic paper.

Q. Before your merger, did any companies have the same arrangements for the distribution and sale of goods that you have now?—A. Yes.

Q. Did other rival companies have similar contracts covering their own patents?—A. I do not know about that. I know at the time we made our contracts there were other contracts with rival concerns, but what they were I do not know.

Q. (By Mr. A. L. HARRIS.) Does your company, in making these contracts with the local dealer, compel him to buy of no other company except yours?—A. My understanding is that they say to the local dealer, "If you want to sell our goods,

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[1] The terms of sale, as later supplied by witness, are as follows:

Terms and conditions of sale of the Eastman Kodak Company in effect May 1, 1901:

Discount: Trade discount, 15 per cent; cash discount, 2 per cent.

Conditions of sale: All papers listed are sold subject to conditions as follows:

That they shall be resold by dealers strictly at list prices.

That dealers are to resell same in original packages only and not to break packages, repack, or sell from broken packages.

That dealers shall not offer or advertise same at reduced prices.

Any such offer or advertisement will be deemed contrary to these terms of sale, irrespective of whether an actual sale takes place or not.

That dealers shall not place same on consignment at or sell from any place or store not authorized.

Cash discount allowed by dealers: Dealers may allow a cash discount of 3 per cent, when full settlement is made within ten days after the first of month following sale.

Delivery of paper to consumers: Dealers may, at their own cost, deliver paper to consumers.

Exchange between dealers: Authorized dealers will, in case of an emergency, be allowed to borrow paper from any other authorized dealer, provided the paper is actually replaced with paper of the same kind. If an actual sale takes place between dealers it must be at full list prices only.

Indirect concessions: The giving away or selling of other goods at less than dealers' regular prices for same, in order to induce sale of papers named hereon, will be considered contrary to the conditions hereof.

Conditional credit memorandum: On or about the 20th of each month a memorandum showing amount of previous month's net paper purchases will be sent each dealer from each factory. If this memorandum is returned at the time indicated thereon, properly signed and verified to the satisfaction of this company, a credit amounting to 12 per cent on the net purchases will be made to the dealer so returning same.

Fifteen per cent represents the full trade discount on paper, but an extra credit as stated above is offered as a special consideration for advantages accruing to us and the General Aristo Company, for which we are trade agents, through having our specialties sold in original packages and at a price that affords the dealer a profit large enough to warrant his energetically and exclusively pushing their sale. This credit will not under any circumstances be allowed when the conditions of offer are not strictly complied with.

we must ask you to confine yourself solely to the sale of our paper; and if you will do so, we will give you an additional discount." As I understand it, that was the course pursued by the American Aristotype Company before the General Aristo Company was organized; also pursued by the Eastman Kodak Company on its paper sales before the General Aristo Company was organized. When the General Aristo Company was organized, a circular letter was sent out to all the dealers in the United States, asking them whether they liked that system, whether they thought it was the best and most feasible, and you would have been surprised to see the answers to that inquiry. Almost all of them said, yes, it was the best thing for the trade, and the best thing for everybody, and it was largely in response to the request of the dealers and photographers who purchased of us that this system was continued when the General Aristo Company was organized.[1]

Q. Was that contract for a stated time?—A. I understand not.

Q. Was it in writing?—A. I think so.

SALE OF ARISTO PAPER NOT DUE TO CONTROL OF PHOTOGRAPHIC SUPPLIES.

Q. (By Mr. KENNEDY.) Does the Eastman Company control and manufacture a line of photographic supplies outside of your paper which the photographic trade of the United States must have?—A. They do manufacture a line of goods known as the cartridge system. They use a flexible film in their cameras instead of a plate. This film was invented by Mr. Eastman himself, and has been developed in this country as an independent branch of the photographic business, and in this branch they have no rivals.

Q. Well, then, can they not take a paper like this of yours and practically force it upon the trade of the United States in spite of the fact that there may be an equally good or superior paper manufactured by others?—A. I do not think they can. I am not a very good judge of that, because I am not a practical paper dealer myself; but I do not think they can. The success of the Eastman Kodak Company does not depend on its patents at all, but upon its business ability. Its success in selling goods does not depend upon any arbitrary rules whereby it forces its goods on anybody, but upon the superior quality of its goods.

If you will read the testimony of Mr. Carbutt,[2] the man who makes the complaint against us, you will see that if what he says is true, it must be solely by reason of the fact that we make a better quality of goods that we can sell them, and that he can not sell his paper. He says he can get paper in foreign countries; he says there are American-made papers; he says he can get all the paper that he wants; he says his goods are better; he says that he sells cheaper than we do. Now, those conditions would give him the trade.

Q. Does he not also say that dealers handling his paper in Newark and other places, and who must have the Eastman supplies, are shut off from getting those supplies from the Eastman Company unless they buy paper from the Eastman Company?—A. So he says. That is simply an inference and argument. If the facts he stated are correct, we could not sell our paper in competition with his. By the way, Mr. Carbutt is one of the oldest photographic-plate manufacturers in the country. That is where he got his reputation. He makes a very fine plate, but only recently—since or about the time the General Aristo Company was formed—has he gone into the business of manufacturing paper. He used a name for his paper which was intended to be so near like the name of one of our papers as to deceive the public, and we were compelled by process of law to make him desist from the use of that paper. That accounts, perhaps, for some of his feeling in the matter.

Q. Is it true that the superior quality of this paper manufactured abroad is because of something superior in the water that is used in its manufacture, a quality which can not be found in this country?—A. I have heard it so stated, but I do not know anything about that.

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[1] In explanation of his statement, the witness later submitted the following:

"I know of no contract or agreement of any kind by which the dealer agrees not to sell any paper but ours, and Mr. Eastman says that there is no such agreement whatever. He desires me to say that absolutely the only agreement or terms of sale imposed by the Eastman Kodak Company are those printed herewith. The dealer or photographer who purchases from the Eastman Kodak Company has the right to sell other goods after purchasing our goods, if he desires to do so; but if he does, he forfeits his rebate. To entitle him to this rebate he must say that he has complied with the printed terms of sale referred to above. No other or different terms are imposed upon any dealer, and the terms are the same to all dealers.

"I did not intend to say in my testimony quoted above that the company had any contract with dealers by which they agreed not to sell other photographic papers, excepting to this extent, viz, that a rebate would be allowed only in case the dealer had not traded in other papers. The special rebate is an inducement to the dealer to push the sale of our papers. The company does not give the rebate to those who are equally interested in pushing other papers. The conditions found in the terms of sale printed herewith contain the only conditions imposed by the company, as Mr. Eastman informs me, and I know of no other. If a dealer complies with those terms, he is entitled to his rebate."

[2] See pp. 173-182.

THE ARISTO COMPANY IS NOT A COMBINATION—AS A SINGLE CORPORATION IT MAY LAWFULLY MAKE EXCLUSIVE CONTRACTS.

Q. (By Mr. PHILLIPS.) Have you anything to say in conclusion that has not been covered?—A. I examined that question as to the rights and powers of a new corporation very carefully before the company was organized, and I organized the company with the idea that we ought not to make it a combination of companies at all; that we ought as rapidly as possible to absorb the various companies which were purchased into one company, which could not in any way be said to be a combination of companies. Nor is our company at present a combination, so far as we are able to prevent, excepting that, as I said, it has been impossible to take over the American Aristotype Company by reason of facts which I have stated above. Just as soon as that difficulty is out of the way, the American Aristotype Company will be merged into the General Aristo Company, and then the latter will be just as simple a corporation as any corporation in New York. Now, starting with that idea, I advised them that they had a right to put conditions upon the sale of the goods. They had a perfect right to say to a customer, "You can buy our goods or not, just as you choose; but if you do buy them, we shall insist that you do not buy any goods of any competitors that directly compete with ours. There are other kinds of paper manufactured by other concerns which they claim are better than ours. If you will agree to sell only our papers, we will give you a special trade discount." I was perfectly satisfied then, and I am now, that that is a perfectly legal decision to make, so long as it is made by a corporation, individual, or firm, and I tried to keep that in mind. If there is anything in that contract with the trade that is illegal, either under the laws of our State or of the United States, or under the laws of any State in which we deal, we can stop it in a minute; and we would be perfectly willing to do so. I do not know anything about the inside of the business, but we kept up that contract feature after the organization of the General Aristo Company, principally, or very largely at least, because the trade expressed a wish that it should be kept up.

It seems to me that the fairness and legality of the terms of sale upon which paper is sold to customers of the company have been conclusively established by the courts. There have been many decisions of the courts of the various States, as well as of the United States and English courts, upon this subject. It is not my purpose to present an exhaustive brief or argument upon the question, but I desire to call the attention of the commission to a few prominent authorities, to wit:

Lough *v.* Outerbridge (143 N. Y., 271) was decided by the New York court of appeals in October, 1894, and has been a leading case since that time. In that case the common carrier carrying freight from New York to certain islands in the ocean offered special reduced rates of 25 cents a barrel to all merchants in New York who would agree to ship by their line exclusively during a certain week. In that week plaintiffs' firm, which was shipping by a rival steamer, demanded that the defendants receive certain barrels of freight at the special rate above specified. The defendants offered to do it if the firm would agree to ship exclusively by their line, but also agreed to take plaintiffs' freight at 40 cents, which was the higher rate. The same rates, terms, and conditions were offered to all shippers. The said firm brought this action to compel defendants to receive and transfer plaintiffs' freight at the special reduced rates. The plaintiffs were defeated in the action, and the court says in its opinion: "If the general rates are reasonable, a deviation from the standard by the carrier in favor of particular customers, for special reasons, not applicable to the whole public, does not furnish to parties not similarly situated any just ground for complaint."

Walsh *v.* Dwight (40 App. Div., 513) was decided by the appellate division of the first department in the State of New York in May, 1899. In that case the defendants entered into contracts with all their dealers and jobbers to sell to the latter its brand of saleratus and soda at a reduced price, in consideration of their agreement not to sell it or different brands of the same article manufactured by other persons at less than a stipulated price. The plaintiffs brought the action to recover $50,000 damages by reason of the destruction of their business on account of the contracts above referred to, which they alleged constituted wrongful and unlawful combinations in restraint of trade, ruining the business of the plaintiffs. The complaint was dismissed upon the trial and the judgment of the lower court was affirmed. The opinion, at page 516, says: "There is, however, nothing in the contract alleged in the complaint to have been made by the defendants which prevents the jobbers and dealers from purchasing or selling the goods of others than the defendants. The defendants simply offered to parties purchasing their goods to make a reduction in the price of the goods sold in consideration of the purchasers agreeing not to sell the goods at a less price than that named, and not to sell the goods of other manufacturers at a less price than that at which they agreed to sell the defendants' goods."

In Park & Sons Company *v.* National Druggists' Association (54 App. Div., 223), the court says, at page 227:

"It can not be denied that each manufacturer has the right to refuse to sell to anyone if he sees fit. If he chooses to make his goods and sell them, he has the right to fix any price he chooses upon them. Not only so, but he has the right to select his own customers. He may agree to dispose of all his goods to one person, or he may be willing to supply the whole trade except one person, and whatever he chooses to do is a matter with which the law has no concern, because the goods are his, to be kept or sold as he pleases. So he may not only fix his own price, but he may impose such terms as he sees fit or can exact from his customers."

In Mogul Steamship Company *v.* McGregor (L. R., 21 Q. B. Div., 544), which is one of the best-known English authorities, cited with approval in many of the courts of the United States, the opinion says, among other things, as follows:

"The defendants are traders with enormous sums of money embarked in their adventures and naturally and allowably desirous to reap a profit from their trade. They have a right to push their lawful trade by all lawful means. They have a right to endeavor, by lawful means, to keep their trade in their own hands and by the same means to exclude others from its benefits if they can. Amongst lawful means is certainly included the inducing, by profitable offers, customers to deal with them rather than with their rivals. It follows that they may, if they think fit, endeavor to induce customers to deal with them exclusively by giving notice that only to exclusive customers will they give the advantage of their profitable offers."

The terms of sale which are imposed by the Eastman Kodak Company in selling, as trade agent, the papers manufactured by the General Aristo Company are not only reasonable, but, within the cases above cited, are perfectly legal. It has the right to say that it will sell at a reduced price to such dealers and photographers as agree to purchase only such papers as are manufactured by the General Aristo Company. The regular prices to other customers have not been increased, but, on the contrary, the prices of all of its commodities have been reduced below what they were before the organization of the General Aristo Company. Other papers are manufactured, and dealers who do not wish to use the paper of the General Aristo Company can buy of other manufacturers. The terms of sale imposed are only such as any individual or corporation has a right to impose with reference to its own commodities.

THE EASTMAN COMPANY SELLS ON COMMISSION FOR THE ARISTO COMPANY.

Q. (By Mr. Kennedy.) Does the Eastman Company make these contracts for you with the trade?—A. The Eastman Kodak Company makes its own terms on the sales; the General Aristo Company has nothing to do with that at all. We agreed to give them a commission, for we knew they could sell as many if not more goods than we, and the General Aristo Company keeps out its own demonstrators, who do not sell any goods at all, but they create a craving for the goods.

Q. But when the contract is made with the trade, who is it that makes that contract; is it the Aristo Company or the Eastman Kodak Company?—A. The Eastman Kodak Company.

Q. They make it for the General Aristo Company?—A. No; they are our agents. They can sell to whomever they please and on such terms as they please, and it is none of our business. We simply say that we will give a commission on all they sell.

(Testimony closed.)

Washington, D. C., *March 11, 1901.*

TESTIMONY OF MR. CHARLES S. ABBOTT,

Secretary of the American Aristotype Company, Vice-President of the General Aristo Company, Jamestown, N. Y.

The commission met at 10.40 a. m., Mr. Phillips presiding. At 11.40 a. m., Mr. Charles S. Abbott, secretary of the American Aristotype Company, and vice-president of the General Aristo Company, Jamestown, N. Y., appeared as a witness, and, being duly sworn, testified as follows:

Q. (By Mr. Clarke.) What is your name and post-office address?—A. Charles S. Abbott; Jamestown, N. Y.

POSITIONS HELD BY WITNESS IN PHOTOGRAPHIC COMPANIES.

Q. Are you connected with the American Aristotype Company?—A. I am secretary of the American Aristotype Company.

Q. Are you also connected with the General Aristo Company?—A. I am vice-president of the General Aristo Company.

Q. Are you also connected with the Eastman Kodak Company?—A. No.

Q. Do you devote your time and attention to the business of manufacturing and selling photographic supplies?—A. Yes.

RELATION OF FOREIGN PRODUCERS OF RAW MATERIAL TO DOMESTIC MANUFACTURERS.

Q. Are you familiar with the contract[1] of the General Aristo Company or of the American Aristotype Company with foreign producers of papers?—A. To a certain extent.

Q. Did you hear the testimony of Mr. Hubbell in respect to that?—A. Yes.

Q. Do you indorse his statements so far as you understand the matter?—A. In the main, yes. There are some explanations I would like to make of that, however.

Q. You will please make them.—A. The General Aristo Company does not control all of the grades of photographic paper made by the foreign paper mills. The control of certain kinds of paper comes about in this way: A factory starts in to manufacture a certain quality—a distinctive kind of photographic paper. Now, that involves procuring a suitable raw stock for it, and the securing of that suitable raw stock involves a great deal of experiment. The factory will write the foreign people, stating in a general way what they want—the grain of the paper, whether smooth or rough, weight and width, and all that sort of thing, and general quality—and it will sometimes be months before the exact quality of that paper is arrived at by experiment, and it involves a great deal of money on the part of the sensitizing factory to prosecute those experiments. Now, after they have been to that expense in practically educating the foreign mill in the production of that particular quality of paper, they feel entitled to the exclusive use of that paper. Otherwise a rival could come right in and buy that same paper and avoid all the pioneering experiments that the first factory went through with. In that way the American Aristotype Company, before its sale to the General Aristo Company, had arrangements with those foreign paper mills for certain kinds of paper, and these contracts were practically continued after the General Aristo Company was formed.

INITIATIVE IN PRODUCTION OF COLLODION PAPER DUE TO AMERICAN ARISTOTYPE COMPANY.

Q. Is it a fact that the initiative in the production of those particular kinds and qualities of paper comes from the American manufacturer, or does the American manufacturer accept what the foreign manufacturers have produced?—A. The former is the case. The American Aristotype Company are the pioneers in that industry, not only in this country, but in the world. They pioneered the industry, and it was through their suggestions that these various raw stocks suiting their particular process were made.

Q. It being an American suggestion, how does it happen that they went abroad to get their papers made?—A. Because before the American Aristotype Company took up the manufacture of collodion papers, the photographic paper in use throughout the world was albumen, which was manufactured abroad, and so these same raw-stock manufacturers undertook the manufacture of collodion paper.

Q. Are we to understand that the producers of these foreign papers sell exclusively to Americans those grades suggested by Americans?—A. No. I suppose the collodion process has since become more or less a commercial one on the other side, and I suppose they supply that same grade of paper to purchasers; we have never asked them not to do so.

Q. Have you any knowledge as to whether or not those grades of paper are for sale in the open markets of Europe?—A. That I do not know.

Q. (By Mr. Phillips.) Were the manufacturers of Europe the first ones to make this paper of which you speak?—A. Well, the collodion process was an undeveloped hand process—that is, the photographer did his own hand coating; made the paper himself. This process, then, was known in a way, but it had never been made a commercial success—that is, there was never any industry in it; never any factory by which this paper was manufactured and put out on the market ready for use.

Q. Until it was made abroad?—A. No; until the American Aristotype Company made it; they were the pioneers of that industry.

ALBUMEN PAPER, FIRST MADE ABROAD, IS NOW BEING SUPERSEDED.

Q. Who were the pioneers of the other best makes?—A. At that time the albumen paper was manufactured abroad, and this raw stock was then albumenized, and

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[1] See p. 191.

then sold to photographers unsensitized, and the photographer himself had to sensitize that paper. That industry was started abroad, and preceded the process of emulsion papers which are now in use and which are superseding the old albumen process.

Q. (By Mr. CLARKE.) What is the principal reason for going abroad to get these papers?—A. Simply because these foreign mills had supplied photographic stock to these albumenizers abroad for years, and the industry was started over there.

WHY RAW PAPER IS PRODUCED ABROAD—CONDITIONS FOR SUCCESSFUL PRODUCTION.

Q. Have they secret processes that are not obtainable by the manufacturers in this country?—A. Apparently so, because we can not find the same grades in this country.

Q. Have they any means for producing cheaper than we can produce here?—A. No; their product is very expensive.

Q. Would it be expensive here?—A. That I do not know; I am not an expert in the manufacture of raw paper. I might say there are other manufacturers of raw stock abroad than the ones we deal with.

Q. Do they employ the same process.—A. That I do not know.

Q. Do they produce the same grades of paper?—A. They make a very similar stock.

Q. That paper is for sale in all markets of Europe?—A. I think it is.

Q. In this country?—A. I think it can be procured in this country.

GRADES OF RAW PAPER USED BY THE ARISTO COMPANY AND ITS COMPETITORS.

Q. Do you admit that it is equal to the grades which you purchase?—A. I do not know that; we have never used it. I know it is used exclusively for many grades of paper by our competitors.

Q. Is it your opinion that superiority of the grades which you procure as compared with grades used by your competitors depends upon water, or any other quality that is peculiar to a locality?—A. Why, I think that one of these raw-stock factories that supplies our competitors is in practically the same locality as one of our mills.

Q. It has the opportunity to use practically the same water, then?—A. Yes; the glacier water of the Alps. They claim that the water has considerable to do with it.

Q. Does a large quantity of water enter into the production?—A. That I do not know. I know nothing about the technical manufacture of raw stock.

Q. Is it your opinion that there is anything in this theory about the peculiarity of the water?—A. Well, I absolutely do not know. I am not a chemist. I should think the superiority was rather due to the fact that they had been for years in that line of business and to the special skill that they have.

ARISTO COMPANY HAS EXCLUSIVE CONTRACTS WITH EUROPEAN PRODUCERS OF RAW PAPER.

Q. Have you contracts of an exclusive nature with the only European producers of those particular grades of paper which you sell in this country?—A. We have exclusive contracts for the raw papers used for our particular brands of paper.[1]

Q. Are those particular brands of paper procurable from anybody but the Eastman Kodak Company?—A. No.

Q. Then there are no other European manufacturers producing exactly those same grades?—A. Not exactly the same grades.

Q. If there were, would there be any object in your having an exclusive contract with one or two firms there for the entire exportation to America?—A. Why, no.

Q. Does the exclusiveness of your trade in the production of these papers depend in any way upon patents?—A. Not that I know of.

Q. Does it depend upon tariffs?—A. Not if I understand your question.

Q. You have then found that certain European concerns produce a grade of paper which you regard as superior, and by contract with them you have obtained exclusive control of the product in this country, and by reason of having that paper you feel that you offer the trade all that they require for carrying on a successful photographing business?—A. Yes.

TERMS OF SALE WHICH THE EASTMAN KODAK COMPANY MAKES WITH DEALERS.

Q. Thereupon you have proceeded to make contracts with the trade throughout this country, binding them not to sell papers which compete with these?—A. No; we have not.

Q. Just what is the nature of the contracts which you have made with the trade?—A. The General Aristo Company makes no contracts with the trade. We sell through the Eastman Kodak Company.

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[1] See p. 191.

Q. State what you know about these contracts which they make.—A. As I understand it, the Eastman Kodak Company offer their goods and the goods which they represent to a dealer at a straight trade discount of 15 per cent. Then, if the dealer handles their goods exclusively, they allow him an additional discount of 12 per cent.

Q. Is this offer of discount or contract the same to all dealers?—A. Absolutely.

DEALERS NOT UNDER ABSOLUTE NECESSITY OF PURCHASING PHOTOGRAPHIC SUPPLIES FROM THE EASTMAN COMPANY.

Q. Does the Eastman Kodak Company deal with all photographic dealers in this country?—A. They do not.

Q. Is there a large number of dealers who obtain general photographic supplies from other companies?—A. Yes.

Q. Is there anything entering into the art of photography which they are obliged to buy from the Eastman Kodak Company?—A. I do not know that there is except patented articles.

CONTROL OF DEALERS IMPOSSIBLE—FEW EXCLUSIVE PHOTOGRAPHIC DEALERS.

Q. (By Mr. PHILLIPS.) When the Eastman Company gets a merchant to handle their own goods do they sell to but one dealer in that town or city, or do they sell to anybody who wishes to handle their goods?—A. Generally to any person, but there may be some towns which they consider not large enough to support two dealers; then they might give an exclusive agency to one, but there are very few such cases. I might explain here that the great growth of amateur photography in the past few years has very largely increased the number of sellers and dealers in photographic materials. There are now really very few exclusively photographic dealers. The drug stores, book sellers, department stores, and men in an infinite number of lines of business take up photographic materials as a side line, so that when you speak of photographic dealers you are really speaking of the retailers of the country in almost every line—hardware, drug stores, and general stores; so that a manufacturer of photographic material, whether it be of paper or cameras or films, has the whole United States to work upon. There is no such thing as controlling the dealers of the United States in photographic materials.

DEALERS HANDLING INDEPENDENT PAPER CAN NOT OBTAIN PHOTOGRAPHIC SUPPLIES FROM THE EASTMAN COMPANY.

Q. (By Mr. CLARKE.) Now, suppose that a dealer handling Mr. Carbutt's paper wanted some other article—say a camera, for example—from the Eastman Kodak Company; could that dealer procure it?—A. Why, I doubt whether the Eastman Kodak Company would sell that dealer unless he was handling their whole line exclusively. I do not think they would care to sell him unless he would confine his energies to their line.

Q. Then the nature of this contract is to force the local dealers everywhere to take all their goods from the Eastman Kodak Company or none of them?—A. No; it simply gives a dealer the option of whether he will handle the Eastman Company's line on their terms or whether he prefers to handle outside lines.

DISCOUNTS OFFERED BY THE EASTMAN AND RIVAL COMPANIES.

Q. (By Mr. FARQUHAR.) The Eastman Company gives 15 per cent general discount, and also a special 12 per cent discount?—A. Yes.

Q. Do you know what discounts other concerns that are in opposition to you give?—A. No; they give various discounts—25 per cent, as a rule, I think.

Q. Twenty-five as a general discount? That covers both the general and special discount?—A. Yes.

Q. And you give twenty-seven?—A. It is not quite twenty-seven, I think.

Q. Are you on an equality with other dealers in making your discounts?—A. I think on an average we make a smaller discount.

THE CONSUMER, NOT THE MANUFACTURER, FORCES THE DEALER TO HANDLE CERTAIN GOODS.

Q. Are you enabled to make a smaller discount because your goods are so much better?—A. Why, yes; we regard our goods as being the best on the market. The real demand for photographic goods is not with the dealers, it comes from the con-

sumer; and especially is that true of professional lines of goods—that is, photographic papers used by professional photographers. Now, whatever the consumer demands the dealer must handle, and if the demand for an outside line of goods was greater than the demand for our line, that dealer in that locality would handle the outside line; and if the demand for our goods was greater in that locality than it was for an outside line, he would be forced to handle our goods. It is not we that force the dealer to handle any particular line, but it is the consumer. If the merit of our goods is such as to produce a great demand for them in a given locality, the dealer, of course, will handle them in preference to any other line.

DEALERS ARE NOT PRACTICALLY COMPELLED TO HANDLE EASTMAN PRODUCTS.

Q. (By Mr. PHILLIPS.) Have you a particular line that can not be obtained anywhere else, thus really forcing dealers to take the other lines in order to get that?—A. That is true and it is not true. Some particular lines of paper are much more easily paralleled than other lines.

Q. This Eastman patent or process is a thing that can not be obtained any place either here or abroad, except through that particular company. Does not that to a certain extent force dealers to buy your other commodities in order to get that process?—A. No; I do not think so, regardless of the qualtity of the other line.

TERMS OF SALE BETWEEN EASTMAN COMPANY AND DEALERS.

Q. (By Mr. CLARKE.) Have you here a copy of the contracts made between the Eastman Kodak Company and dealers?—A. No.

Q. Can you procure a copy and make it a part of your testimony?—A. Well, if you will excuse me, I take exceptions to the word "contract." It is not considered as a contract. The Eastman Kodak Company's terms of sale I think I can procure.[1]

COMPANIES THAT COMPETE WITH THE GENERAL ARISTO COMPANY.

Q. Have you any knowledge of the manufacturers of sensitized paper in this country who compete with the General Artisto Company?—A. I can call to mind ten or eleven.

Q. Is the number increasing?—A. Probably a third of them out of that eleven have started in since the organization of the General Aristo Company within the last year.

Q. (By Mr. PHILLIPS.) Kindly give the names of those companies?—A. There is a party named D'Annunzio in Boston, Mass.

Q. Is it a large concern? Can you state the capital?—A. No; I do not know their capital. Then there is the United States Aristotype Company; I think their headquarters are in New York City; Mr. Dailey, manager of that company, testified before you. Then there is Willis & Clements, of Philadelphia; the Bradley Paper Company of Philadelphia; John Carbutt, Philadelphia; the Westcott Paper Company, of Binghamton; E. A. Gilbert, of Jamestown, N. Y.; the Defender Paper Company, of Rochester, N. Y.; the Essex Paper, made in Newark, N. J.—I can not give you the style of the firm, I understand their backing is from Charles Cooper & Co., of New York; the Columbia Paper Company, of Chicago; the Mellen Etching Mat Paper Company, of Denver; and one other smaller concern in Denver whose name I can not now recall.

COMPETING COMPANIES CAN NOT OBTAIN THE BRANDS OF FOREIGN PAPER USED BY THE EASTMAN COMPANY.

Q. (By Mr. CLARKE.) Do any of these companies use foreign paper.—A. Most all of them claim to.

Q. Do any of them purchase foreign paper from the Eastman Kodak Company?—A. I do not know, but my impression is that they do not.

Q. Could they do so if they desired to?—A. Well, that I do not know.

Q. Do you know whether or not any of them have asked to obtain it and have been refused?—A. I do not know; my impression is, however, that they could not buy the particular brands of foreign paper that we buy.

Q. (By Mr. PHILLIPS.) You would not sell them to them yourself—your company?—A. I do not think so.

[1] Supplied by Mr. Hubbell; see p. 192.

AN IMMENSE NUMBER OF CONCERNS MANUFACTURE PHOTOGRAPHIC SUPPLIES.

Q. (By Mr. Clarke.) Are you able to give a list of the manufacturers of photographic materials and supplies in this country other than the Eastman Company?—A. I can not without looking it up. There are an infinite number of concerns manufacturing cameras and photographic devices and materials of all kinds.

Q. So that if people are willing to use other than the Eastman goods they can get a complete photographic outfit from other dealers?—A. Yes.

STRONGEST COMPETITORS IN THE MANUFACTURE OF PAPER AND OF CAMERAS.

Q. (By Mr. Farquhar.) I would like to inquire who the strongest competitor is as against the Aristo and the Eastman Company?—A. In the matter of paper, the Defender Paper Company, of Rochester, the Columbia Paper Company, of Chicago, and Willis & Clements, of Philadelphia, are the largest concerns against us; and in the field of cameras I should say that the Rochester Optical and Camera Company, of Rochester, is the largest concern.

Q. (By Mr. Phillips.) Do all these concerns combined sell as many goods as you do?—A. That I do not know.

Q. Are you supposed to be much the largest dealer in photographic goods?—A. We feel that we are.

DIVIDENDS DECLARED BY GENERAL ARISTO COMPANY—AMOUNT OF ITS STOCK.

Q. (By Mr. Farquhar.) How long has this Aristo Company been in existence?—A. Since 1899.

Q. Has your company declared any dividend since its organization?—A. Yes.

Q. In what shape are the dividends—cash or stock, or part cash and part stock?—A. Cash.

Q. What is the amount of the dividend?—A. The preferred stock of the General Aristo Company is a 7 per cent cumulative preferred stock, and, of course, it is limited to 7 per cent. On the common stock they have paid a regular dividend of 2½ per cent a quarter, making 10 per cent a year. Then at the end of the year they have declared an extra dividend of 5 per cent. So that they have actually paid 7 per cent on the preferred and 15 per cent on the common.

Q. (By Mr. Phillips.) Will you state the amount of common and preferred stock?—A. The outstanding common stock is $2,400,000, the outstanding preferred stock is $2,400,000, there being $100,000 of each still in the treasury on which no dividends are paid.

DISPOSAL OF SURPLUS EARNINGS OF THE GENERAL ARISTO COMPANY.

Q. (By Mr. Farquhar.) During the existence of this General Aristo Company, have any of the surplus earnings been used for the purchase of any other plants, or for the extension of the present plants?—A. We have not purchased any other plants since the organization of the General Aristo Company. We have enlarged and made a good many improvements in our plant.

Q. (By Mr. Phillips.) About what per cent of the earnings have you used in these improvements?—A. That I could not tell.

NO INCREASE IN PRICE OF ARISTO PAPER OR OF EASTMAN PHOTOGRAPHIC MATERIALS.

Q. (By Mr. Clarke.) Since the formation of the General Aristo Company has there been any advance in prices of any of the papers which it produces?—A. On the contrary, there has been a reduction in some brands, but in no instance a raise.

Q. Has there been any advance in prices by the Eastman Kodak Company of any of their photographic materials or supplies?—A. My impression is that there has not, and I think there have been reductions.

ECONOMIES EFFECTED BY ARISTO COMPANY IN THE COST OF PRODUCTION—IMPROVEMENTS IN MANUFACTURE.

Q. Have there been any marked improvements in the processes of production whereby the cost of production has been diminished?—A. We have worked what we believe are considerable economies that either have reduced or will lead to the reduction of the cost of production of several of our brands.

Q. What are some of the principal economies which you have been enabled to make?—A. We have been able to take up the manufacture of some of our raw materials. The cost of distribution, marketing our goods, has been considerably reduced, although I think that the number of traveling men on the road is very much in excess of what the individual companies had before the organization of the General Aristo Company.

Q. Is that because you are doing a much larger business?—A. Yes; and the cost has been reduced because the marketing has been concentrated through one selling agent.

Q. Have there been any great improvements in the manufacture since the organization of the General Aristo Company?—A. Well, I could not say there have been any great improvements. I think we have improved our products all along the line in the last year and a half.

THE ARISTO COMPANY HAS INCREASED THE NUMBER OF ITS TRAVELING AGENTS—REASON.

Q. (By Mr. PHILLIPS.) It is generally claimed that when combinations are formed the number of traveling men is diminished. How, therefore, does it come that you have increased the number of your traveling agents?—A. We do not believe that our business to-day can succeed with any fewer men in the field than it could before.

Q. Is that on account of the outside competition?—A. Yes.

Q. Is it because your monopoly then is not complete that you require these extra agents?—A. We do not claim to have a complete monopoly.

Q. Have you a large per cent?—A. Well, my impression is that in the paper trade we have a large per cent—considerably over half.

Q. And still you require the agents?—A. We do not believe we would have much trade if we relinquished our efforts in the field, or if we were any less careful in the quality of our products.

THE ARISTO COMPANY EMPLOYS DEMONSTRATORS TO INCREASE ITS SALES.

Q. Are those agents salesmen, or are they promoters?—A. Those employed by the General Aristo Company are educators—what we call demonstrators. They are not in the field to sell goods; they are in the field to educate photographers in the proper use of our goods.

Q. In that respect you differ very materially from many other combinations?—A. Yes; and that is one reason for the Eastman Kodak Company's terms to an agent or dealer. The General Aristo Company has expended a great deal of money in keeping demonstrators in the field, in educating photographers in the manipulation of their goods, also in advertising the goods; and it is hardly a fair proposition to appoint a dealer as your agent and then allow him to handle imitations or parallels to your goods after referring this vast amount of trade to him.

THE COMPLAINT AGAINST EXCLUSIVE CONTRACTS WITH DEALERS NOT VALID.

I notice in Mr. Carbutt's statement that he does not employ traveling men. He does nothing to create a demand through traveling representatives. He makes and secures all the raw materials he wants for the manufacture of his goods. He claims he makes better goods than we do and he sells them at a lower price than we do, and still he complains that he can not sell his goods. No corporation under heaven could meet that kind of competition, if the facts were as Mr. Carbutt stated.[1]

Q. (By Mr. CLARKE.) Is not his complaint simply on account of the exclusive character of your arrangements with dealers?—A. It may be, but it is not a valid one. If we are selling our goods to one drug store in a town, there are seven or eight other drug stores that he can sell his goods to, and if he has a better article than ours and can sell it for less money than we, the drug store that he goes to should be able to undersell and take the trade from the drug store that we sell to. We have no monopoly on the drug stores and booksellers and hardware merchants of this country.

Q. (By Mr. KENNEDY.) If the demand of the photographic trade in that community where there are seven drug stores is for other lines of Eastman goods which the trade must have because they are superior to other photographic supplies, and the dealers can get those supplies only if they take your paper, can the other paper make headway in that community?—A. I see no reason why it should not under the

[1] See pp. 173–182.

conditions named by Mr. Carbutt. If Mr. Carbutt has a better paper than ours, at a better price to the trade, and has no trouble in supplying it, and is not handicapped in any way in securing his raw materials, there is no reason why Mr. Carbutt should not sell his goods in that town.

THE QUESTION WHETHER THE DEALERS ARE PRACTICALLY PROHIBITED FROM HANDLING MR. CARBUTT'S PAPER.

Q. (By Mr. Clarke.) Suppose that other drug stores wished to handle photographic supplies generally, and wished to procure a good many of them from the Eastman Kodak Company, would not their needs in that respect prevent them from handling Mr. Carbutt's papers, since the Eastman Company makes an exclusive contract?—A. Not under the conditions as stated by Mr. Carbutt.

Q. If Mr. Carbutt supplied photographic supplies and materials generally as well as his sensitized paper, it might be that some dealer would prefer to trade with him, and not in any way be dependent upon the Eastman Company. But since he produces paper only and dealers feel that they must have some of the goods of the Eastman Company, does not the exclusive character of the contract of the Eastman Company practically prevent that dealer or any dealer from handling Mr. Carbutt's goods?—A. No; it is not the exclusive contract that prevents, it is the demand for the Eastman Kodak and General Aristo Company's goods that does it.

CERTAIN PHOTOGRAPHIC SUPPLIES CAN ONLY BE OBTAINED FROM THE EASTMAN COMPANY.

Q. (By Mr. Phillips.) And then your exclusive way of manufacturing one particular item that is necessary to the trade? The film the Eastman Company has invented is peculiar to that company, and the dealers would require that?—A. As I have said before, the Eastman Kodak Company's policy is to make exclusive agents in their line, but it does not aim to prevent any other manufacturer from doing the same thing, and there is an ample field for them to do it. It is simply a question of whose goods have the merits, and who pushes his goods the hardest.

Q. And not a question of a superior article in one line?—A. Yes; quality has a great deal to do with it.

Q. But the Eastman Company has a peculiar article that the dealers can not buy from other parties, which belongs exclusively to the Eastman Company?—A. Yes; all these factories make products that are a little different from any other factory, but it depends upon the quality and usefulness of the article what the demand will be for it, and if the demand is larger for one article the dealer must handle it, and if it is not so he will not.

Q. But if he can not get it any other place than from the Eastman he has to buy all his supplies there in order to get that one?—A. Oh, that particular supply he does. The Eastman Kodak Company does not say to a dealer "You must buy all your supplies of us."

EFFORTS OF CERTAIN DEALERS TO HANDLE BOTH ARISTO AND INDEPENDENT PAPER.

Q. (By Mr. Kennedy.) Were there any dealers who had been handling the paper of the opposition companies and who were compelled to relinquish the handling of that paper and to deal in your paper because they must have the Eastman Kodak Company's supplies? In the city of Newark, for instance, have you any knowledge of a firm there handling the paper of other manufacturers and at the same time desiring to have Eastman's supplies, and, failing to get those supplies, being obliged to relinquish the handling of other paper and take up Eastman's?—A. Some few dealers have tried to avail themselves of our special inducements for exclusive handling and at the same time handle some outside line, and there was a case in Newark of that kind. A party wanted to get all the benefits and full discounts from us—all the compensation that we give for making a specialty of our line—and at the same time wanted to handle outside lines. So he divided his business. He moved upstairs onto the next floor and called that the Smithmore Art Company and the room downstairs the Smithmore Photo Company, and the Smithmore Photo Company secured all the benefits from being our exclusive agent, and the Smithmore Art Company upstairs sold all the outside paper there was. We have stopped two or three performances of that kind, and I remember one in Newark of that description. [1]

AGENTS ARE EMPLOYED TO SELL GOODS AND DEMONSTRATE THEIR VALUE—NOT TO ACT AS SPIES ON DEALERS.

Q. Do you have agents or inspectors going about the country to learn of such a state of affairs and report to your company?—A. We have no set of men hired for the specific purpose of inspection, but we have representatives in all parts of the country,

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[1] See case cited by Mr. Dailey, p. 184.

and if they find that some dealers are handling other paper at the same time they are accepting extra compensation for handling ours exclusively, it is of course their duty to report. However, that is not what our representatives are hired to do. They are hired to educate the people in the use of our goods and to sell our goods.

THE VALUE OF SECRET PROCESSES AS COMPARED WITH PATENTS.

Q. Why do you not seek patents for your processes of manufacture? Is it because you can control them for a longer period by keeping the processes secret and not getting patents?—A. In the main, yes. There are so many things about a chemical formula that secrecy rather than the Patent Office is relied upon by paper and chemical manufacturers.

Q. Do you have to rely upon your workmen to keep trade secrets?—A. To some extent, yes.

Q. (By Mr. PHILLIPS.) Does any one man know the whole of your secret processes?—A. Our managers usually do, and also their understudies; but generally in the factories each man knows about his own department and knows very little about the other departments.

QUALITIES OF PAPER MADE PRIOR TO AND SINCE THE ORGANIZATION OF ARISTO COMPANY.

Q. (By Mr. KENNEDY.) When these constituent companies were brought in were they manufacturing and offering to the trade different qualities of paper at different prices?—A. I do not know what the price lists of all were at that time, but there has been no raise in any of the lines since the formation of the general company.

Q. Did you continue to supply the trade with the different qualities of paper used before the merger?—A. Yes.

PRICE OF PHOTOGRAPHIC PAPER SINCE THE ORGANIZATION OF THE ARISTO COMPANY.

Q. Is it true that you brought all the qualities or all the prices up to one level after the formation of the General Aristo Company?—A. No. There are a great many different kinds of photographic paper now; one factory makes one kind and another another. Of the printing-out papers there are two kinds—gelatin and collodion. The American Aristotype Company makes collodion paper, and the Eastman Kodak Company makes gelatin paper. Now, there are also what they call developing papers—bromide papers, and the gaslight papers—which are largely used by commercial men and amateur photographers. Then there is platinum paper. And these different factories make different kinds of paper.

Q. You say there was no raising of prices to the consumer on these different qualities of papers as a result of this consolidation?—A. No. On the contrary, there has been a lowering of the general average prices on gelatin paper below that in vogue before the organization of the General Aristo Company. The collodion paper is just the same as it was, and practically as it has been for twelve years, and on platinum paper there has been 20 per cent reduction.

RELATIONS WITH EMPLOYEES—HOURS OF LABOR—LUNCHES—LIBRARY.

Q. Has there been any average increase of wages of the workmen in the employ of the different companies, or in the employ of the Aristo Company?—A. No. There has, however, been a decrease in the number of hours (from ten to nine) at our Rochester factory, with no reduction in pay.

Then the Kodak Company is doing a great many other things for its employees. They have put in dining rooms for their women and men, and serve a lunch to the women for 10 cents—much below cost. They have a library for them and they are permitted to take books home at night, and in Rochester they have done a great deal for their employees.

Q. (By Mr. PHILLIPS.) This has been done since the formation of the General Aristo Company?—A. Yes.

NUMBER AND SEX OF EMPLOYEES.

Q. (By Mr. KENNEDY.) How many employees have you?—A. That I could not tell offhand.[1]

Q. Are the majority of them men or women?—A. Well, they are divided. We have both.

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[1] Witness later stated the number of employees of the General Aristo Company to be about 400. The number varies slightly from week to week. On June 1 it was not quite 400; on July 6, a trifle above that number.

WORK DONE BY FEMALE EMPLOYEES IN THE MANUFACTURE OF PAPER.

Q. Do women do the same work that men do?—A. No. The women in the paper business are used mostly for sorting paper. Their hand is more delicate for that work. They have to wear a kid glove in sorting paper, so that the moisture of their hands will not injure the paper. We find that they are very much better at sorting than men.

Q. Are there any instances where women do the same work that men do in your business?—A. Not in the manufacture of paper. There are no women doing any work that the men ever did in our factory.

Q. Do they in any department of your business?—A. The manufacture of paper is the only department of which I have knowledge.

Q. I wanted to find out whether, if they were doing the same work, they received equal compensation with the men?—A. They probably would.

NO STEPS TAKEN TOWARD CONSOLIDATING GENERAL ARISTO AND EASTMAN COMPANIES.

Q. Have any steps been taken toward the consolidation of the General Aristo Company and the Eastman Kodak Company?—A. No; there have been no steps taken toward consolidation. Everybody hopes they will be consolidated some time, however, as they properly belong together.

OTHER PHOTOGRAPHIC SUPPLIES, AS WELL AS PAPER, ARE MADE BY CARBUTT.

Q. (By Mr. A. L. Harris.) Does Mr. Carbutt manufacture paper only?—A. He also manufactures plates and a great number of things that the Eastman Kodak Company manufactures. The paper he has taken up only recently—I think since the organization of the General Aristo Company—so we could not posssibly have robbed Mr. Carbutt of his market.

Q. If there are 7 drug stores in a town and 1 has the contract to sell your goods, including, of course, the Eastman Kodak Company's goods, and another drug store has the sale of the Carbutt goods, could I, a consumer, go to the Carbutt store and buy such supplies as I wished, and then to the drug store that handles your company's goods and buy the balance of my supplies?—A. Yes.

CHARGE THAT THE EASTMAN COMPANY CONTROLS MARKET BY CONTROLLING DEALERS.

Q. (By Mr. Phillips.) We would be very glad to have you give your statement as to the charges made in Philadelphia or any other facts that you think would be beneficial to the commission.—A. The general tenor of the testimony of the independent manufacturers was to the effect that they were not handicapped in the supply of necessary raw materials, that they produced better goods than we did, and that they could sell them to the trade at less than we could; and they gave the impression that they could not have a market on account of our control of dealers throughout the United States. That I wish to correct. I have already explained in my testimony that there is no such thing as an exclusive line of photographic dealers; there are very few of them. The dry goods merchants throughout the country, the drug, the hardware, and the stationery trade—any number of lines of trade—handle photographic materials, so that the United States is wide open to the manufacturers. As I say, if we take 1 drug store in the town, there are 7 others that they can go to with their articles; they are not barred from the public at all, and if a dealer accepts our line of goods on our terms, it is simply optional with him and it is because he finds there is more demand for our goods than there is for theirs. They do not pretend to say that we have any monopoly of raw stock that oppresses them, and they do not pretend to say that we handicap them in any other way, as I note from their testimony.

INFRINGEMENTS ON THE ARISTO COMPANY'S TRADE-MARKS.

Q. (By Mr. Kennedy.) Is it true that your competitors are constantly trying to deceive the public by inventing names for their goods that are somewhat similar to yours?—A. Well, we have had several such instances; Mr. Carbutt was one.

Q. What was the name that he used?—A. It was more a similarity of the mark than of sound. Our Velox trade-mark has a peculiar formation. He put out a brand of paper called "Vivax," commencing with a "v" and ending with an "x," and in form very similar to our Velox, and we were obliged to stop him under our legal rights for infringing a trade-mark.

Q. (By Mr. Phillips.) Did the court rule that he was infringing your trade-mark?—A. I do not think it ever got that far; I think they withdrew it.

Q. (By Mr. Kennedy.) Was the name of the United States Aristotype Company an adaptation of the name General Aristotype Company, or American Aristotype Company?—A. The name United States Aristotype Company was adopted after the formation of the American Aristotype Company and before the General Aristo Company. Aristo is a trade-mark of the American Aristotype Company, dating back 12 years, before there were any sensitized papers manufactured.

Q. Was the adoption of the name "United States Aristotype" for the purpose of deceiving the public?—A. No, I do not know that it was. We have never taken any exceptions to that.

(Testimony closed.)

THE PLATE GLASS COMBINATION.

PHILADELPHIA, PA., *December 20, 1900.*

TESTIMONY OF MR. FRED. G. ELLIOTT,

Paint manufacturer and glass dealer, Philadelphia.

The special sub-commission met at the Manufacturers' Club at 10.37 a. m., Mr. Clarke presiding. At that time Mr. Fred. G. Elliott was introduced as a witness, and, having duly affirmed, testified as follows:

Q. (By Mr. CLARKE.) Please give your name, post-office address, and occupation.—A. Fred. G. Elliott; 322 Race Street, business address; manager for John Lucas & Co.

Q. What is the business?—A. Manufacturers of paints and varnishes; dealers and importers of window glass, plate glass, and so forth.

Q. Are you president of the Philadelphia Paint Club?—A. No; I am simply a member of the executive committee.

Q. Do you, in a sense, represent them at this hearing?—A. Mr. French, I think, is disabled, or he perhaps would answer for us. He has a very bad cold to-day, I think.

Q. We shall be pleased to have you proceed in your own way to present such facts and contentions as you may wish to present.

A. (Producing paper.) I would beg your pardon for presenting this in this form, although perhaps it might be better really to have it in this shape, and I will read this if it is your pleasure. (Reading:)

OBJECTIONS TO THE PROTECTIVE TARIFF.

We represent the executive committee of the Philadelphia Paint Club, that body having had repeatedly brought to its attention at various times the subject of the encroachment of organizations or combinations of capital such as His Excellency the President of the United States referred to as injurious, and concerning which he urged legislation where they came within Federal jurisdiction.

We respectfully represent that we have no disposition to reflect upon the growth of such organizations which by combining have been able to reduce expenses of production and lower the cost of manufactures to the consumer. We know of no logic or reason (outside of such as may be termed purely sociological) for controlling the ambition of men to increase their business, provided the means used are purely legitimate. Were it simply a question of the 'survival of the fittest,' we should be willing to stand aside and let others more favorably situated step into the place which we were unable or unwilling to maintain. We, however, have a real grievance through the operation of an alleged protective tariff (the stability of which, unlike one of the preceding witnesses, we have too great cause to regret), and we, as a club composed of paint manufacturers and glass dealers, are compelled to protest as per the following preamble and resolution:

"PHILADELPHIA, *December 5, 1900.*

"At a regular meeting of the Philadelphia Paint Club, held December 5, 1900, the executive committee, through its chairman, Mr. Howard B. French, in view of recent developments, presented the following preamble and resolution, which were unanimously adopted:

"Whereas the levying of protective duties is intended to produce a revenue, to encourage the establishment of home industries, and to protect American manufacturers and workmen from destructive foreign competition; and

"Whereas prohibitory duties not only fail to produce revenue but in many cases enable the beneficiaries of them to take undue advantage of consumers in direct opposition to the principle upon which the whole theory of protective duties rests; and

"Whereas the development of American industry in many lines and the consolidation and combination of producers has rendered existing duties on the one hand

excessive, and on the other has left the consumer without the benefit of competition as a factor regulating prices; and

"Whereas the development of American commerce in foreign markets would be greatly facilitated and may be attained by reasonable moderation in the duties upon raw materials, which are shown to be in excess of the requirements both of revenue and protection: Therefore be it

"*Resolved*, That the Paint Club of Philadelphia communicate with the National Paint, Oil, and Varnish Association, requesting the president of that organization to send this preamble and resolution to the several paint clubs throughout the country, suggesting that their secretaries make inquiry regarding tariff inequalities and abuses, and by correspondence, petition, and assistance of other commercial organizations, endeavor to crystallize the sentiment of the country in the direction of a revision of the tariff on more equitable lines."

THE TARIFF ON PLATE GLASS ESPECIALLY OBJECTIONABLE.

The tariff to which we particularly refer is that on plate glass, which has practically proven prohibitive. Possibly it may have been justifiable, in order to encourage the manufacture of this now very necessary article to this country, to make the duty so out of proportion to many other lines of manufacture, and it also may have been an irresistible temptation to those who had become established in the business when the foreign product was excluded to go a step further, and by combination of factories, the closing of some and reducing the output of others, to advance the price, as it is alleged, from 125 to 150 per cent, according to the size of the plates. While we do not appear before you as opponents of protective duties *per se*, we oppose the abuse arising from the duties when, after an industry has been established, advantage is taken to monopolize the production and distribution, rendering those same industries open to the growing objection that they are specially favored. To again quote from the President's message on the subject of taxation: 'That reduction should be secured by the remission of those taxes which experience has shown to be most burdensome to the people.' We do not think it can be safely asserted that there has been anything in the condition of the markets or raw materials, or containers for this article, that would justify the increased price. If it was a question of increased remuneration to the laborer or skilled mechanic, we might, as protectionists on principle, be reconciled to part of the enormous increase; what might be described as skilled labor in the 'manufacture or blowing' of sheet glass is not to any extent necessary in the production of plate, outside of perhaps a few foremen. In the case of sheet glass the American workman or skilled mechanic does have an unusual protection, as it is estimated that the cost of a box of foreign sheet glass on board ship at the home port is no more than the cost of blowing the same quantity of glass in this country, to say nothing of the additional cost of material, boxing, and profit necessary for the manufacturer here.

CONTROL EXERCISED BY THE PITTSBURG PLATE GLASS COMPANY.

The production of plate glass in this country is estimated at about 20,000,000 feet annually, and in round figures the Pittsburg Plate Glass Company is supposed to control about 80 per cent of this amount. Outside factories are, of course, not slow to avail themselves of conditions which the superior organization of this company admits of in the matter of profits.

We submit a schedule showing a calculation of the cost of a light of glass of a certain size in Antwerp, the amount of freight on the same, and the duty. The net result is that polished plate can be imported in cut sizes from 10 to 20 per cent. cheaper than the extreme selling price of the plate glass trust to-day.

Schedule showing cost of importing plate glass from Antwerp to Philadelphia December 8, 1900.

STOCK SHEETS POLISHED PLATE.

Size.	Cost per square foot f. o. b. Antwerp.	Freight.	Duty.	Total cost at Philadelphia.
Feet.	*Cents.*	*Cents.*	*Cents.*	*Cents.*
1 to 5	$16\frac{1}{2}$	$1\frac{1}{2}$	8	26
5 to 7	$16\frac{1}{2}$	$1\frac{1}{2}$	$22\frac{1}{2}$	$40\frac{1}{2}$
7 to 10	$19\frac{1}{4}$	$1\frac{1}{2}$	$22\frac{1}{2}$	$43\frac{1}{4}$
10 to 12	$19\frac{1}{4}$	$1\frac{1}{2}$	35	$55\frac{3}{4}$
12 to 25	23	$1\frac{1}{2}$	35	$59\frac{1}{2}$
25 to 50	$25\frac{3}{4}$	$1\frac{1}{2}$	35	$62\frac{1}{4}$
50 to 100	$27\frac{1}{2}$	$1\frac{1}{2}$	35	64

Schedule showing cost of importing plate glass from Antwerp to Philadelphia, December 8, 1900—Continued.

CUT SIZE PRICE OF POLISHED PLATE.

Size.	Cost per square foot f. o. b. Antwerp.	Freight.	Duty.	Total cost at Philadelphia.
Feet.	*Cents.*	*Cents.*	*Cents.*	*Cents.*
1	16⅞	1½	8	26⅜
2	18	1½	8	27½
3	19⅛	1½	10	30¾
4	20¼	1½	10	31¾
5	22¾	1½	10	33
6	22½	1½	22½	46½
8	23⅝	1½	22½	48
10	24¾	1½	22½	49
12	25⅞	1½	35	63
14	27	1½	35	65
16	28⅛	1½	35	65
19	29¼	1½	35	65¾
20	30⅜	1½	35	67
25	31½	1½	35	68

Net result.—Polished plate can be imported in cut sizes from 10 to 20 per cent cheaper than the extreme selling price of the Plate Glass Trust to-day.

Notwithstanding the facts shown by this schedule, so powerfully monopolistic has this company become as to feel warranted in issuing letters or mandates similar to those described in the following extract from the North American, of Philadelphia, of December 11, 1900:

"Among the firms who have felt the sting of the trust's tyranny are John Lucas & Co., Robert Shoemaker & Co., William Waterall & Co., S. H. French & Co., Harrison Brothers & Co., incorporated, and H. E. & D. G. Yarnall, besides many others. Their capital aggregates millions. They have built up by years of effort a trade which is one of the most important in the country. For these reasons they are powerful, and hitherto have considered themselves independent.

"How far they were mistaken can be gathered from three recent letters issued by the trust. The first, dated August 27, tells the dealers they have permission to import a limited quantity of plate glass, under 10 square feet in size. 'If,' says the letter, 'you think it is to your interest to place an order for glass under 10 square feet abroad, you are at liberty to do so, the manufacturer stipulating that a copy of the order be sent to this company.'

"The second and third letters require no explanation. One is as follows:

" 'PHILADELPHIA, PA., *October 27, 1900.*

" 'GENTLEMEN: We have just been advised by our general office that any permission that has been given to the jobbers whereby they were allowed to import plate glass must be at once withdrawn, and we hereby beg to notify you to this effect.

" 'We will ask you to send to this office at once a memorandum of any foreign glass that you may have ordered which you have not received. Please include in this memorandum that which may already be on the water as well as the portion that has not yet been shipped from abroad. Kindly give this matter your prompt attention and oblige.

" 'Yours, truly,

" 'PITTSBURG PLATE GLASS CO.'

"The other letter, which is also signed 'Pittsburg Glass Company,' reads:

" 'PHILADELPHIA PA., *November 30, 1900.*

" 'GENTLEMEN: At a meeting of the manufacturers and "A" jobbers of plate glass in Pittsburg on the 14th instant, it was resolved that no "A" or "B" buyers would be permitted to import plate glass or to purchase plate glass that had been imported into this country. The manufacturers will expect all the "A" and "B" buyers to conform strictly to this resolution.'

"When the paint manufacturers and plate-glass dealers call these letters not only tyrannical, but insolent, it is not likely that there will be much difference of opinion. Nor will it be considered strange that they found it somewhat irksome to withhold their protest until after election, out of regard for Republican success."

Q. (By Mr. CLARKE.) Please explain the difference between "A" buyers and "B" buyers.—A. I have brought with me Mr. Mayer, of our house, who is the head of the

plate-glass department. He could answer that question, perhaps, more fully than I can. Only I will give you this: I think "A" buyers are what are termed sheet buyers. They buy what are called stock sheets and then cut them up themselves, and of course are given a lower price than the person who would buy what are called stock sizes, such as you see in these windows. Sheet sizes are large sheets which may be found profitable for the house buying them to cut up in certain sizes. The wastage in plate glass is very considerable and makes a heavy loss.

Q. (By Mr. FARQUHAR.) Was the letter of October 27, 1900, addressed to their agents or to the general trade?—A. Addressed to the "B" buyers, I presume.

Q. Buyers on their books and dealing with other customers?—A. They may come in competition with each other; yes.

Q. Their circulars might include a great many other than "B" buyers who are not immediate customers. In other words, is this a general circular?—A. It is a general circular. I guess Mr. Mayer can explain to you. There are buyers outside of "B" buyers. The "B" buyers are those who buy in stock sizes only.

Q. This, then, is a notification to all customers?—A. All "B" buyers.

Q. Intending purchasers or those who are already customers?—A. No; only the "B" buyers on their books. They were given permission to import some "B" glass. The permission was withdrawn by the letter of November 30, 1900.

(Continuing to read:) So that even if disposed to attempt importation the way is blocked by this overpowering influence of the Pittsburg Plate-Glass Company. The infectious effect of this actual control of the situation is also manifested in the action of the plate-glass insurance companies, some of whom it is alleged have but recently issued notice advancing the insurance rates on plate glass on an average of fully 50 per cent, based, as they claim, on the advance in the cost of the plate.

But if the above was not sufficient, recent developments would indicate that an allusion to this subject in the report made before the national convention of the oil, paint, and varnish industries was about to be realized.

This is an extract from the report on the tariff made at Point Comfort in November last:

"Again laying aside the question of individual preferences as to the policy of tariff legislation, it may not be out of place for your committee to call attention to the subject of abnormal duties (predicated upon the necessity of increased compensation to the laborer), but taken advantage of by reason of the enormous returns thereby possible to one line of manufactures, enabling the unreasonably protected corporation or others to force the sale by cutting the prices of products in which they may be either directly or indirectly interested, to the disadvantage of others whose sole dependence may be upon the manufactured lines subjected to the cutting process, and endangering the principle of encouraging home manufactures by a reasonable protection against foreign competition."

(Before the reading of that report we expressed a thought that matters were about to develop which would affect the paint industry.)

The opportunity afforded through the protective duties and the restrictions which they admit of, amounting to a practical prohibition, also affords, through the additional profit obtained, the opportunity to virtually force dealers and consumers to purchase or handle the other products which these combinations may take a fancy to. Instances are not wanting, it is alleged, where persons have been approached with offers of special favors or agencies for the highly protected product if they would also stock or use the side lines which the profit on the over-protected product enabled the combinations to offer.

As to foreign trade, the ridiculousness of any attempt to compete from this country by any one save the Plate-Glass Company is all too manifest, if, as we show, glass can be bought at an average of 50 per cent below the figures prevailing in this country, and we know of no sorer subject, to the American consumer at least, than to find that he is paying by reason of this adverse legislation a tax on his necessities in order to admit of the same goods being sold abroad at half the price he is compelled to pay.

THE TARIFF AS AFFECTING THE PAINT TRADE.

In the paint line similar conditions prevail as to foreign trade in the leading items, white lead and linseed oil, owing to the price usually prevailing in this country (linseed oil is an exception this year, the foreign price being close to the domestic by reason of the failure of the seed crops in India and other countries), the difference may be roughly estimated as about 33⅓ per cent against us, considerably more than the profit the goods yield the manufacturer by sales in this country. Pig lead, from which the carbonate or white lead of commerce is made, is subject to a duty of

2⅛ cents. The price in England to-day is, say, £16 2s. 6d. per ton, which equals 3⅛ cents to 3½ cents per pound. The price in New York to-day of domestic lead is 4.37½ cents per pound.

Flaxseed, from which the linseed oil is made, is subject to a duty of 25 cents per bushel of 56 pounds, the oil to a duty of 20 cents per gallon. The price in England to-day for linseed oil is 31s. 6d. per hundredweight, equal to, say, 51½ cents per gallon. The American linseed oil could be bought now, owing to the conditions mentioned, at about the same price. Usually the difference averages from 10 to 20 cents less abroad than here.

PLEA FOR A REDUCTION IN TARIFF DUTIES.

From the above facts, which we feel can not be successfully controverted, we are justified in asking for a modification of duties on the lines suggested by the President of the United States in his message to Congress this year. There may be causes existing in some trades that may still demand what in a few years may easily prove to be unnecessarily high duties. As a basis we might suggest what has been stated before, viz, sufficient protection to cover the difference in labor charges in the United States as compared with foreign countries, plus, say, 5 or even 10 per cent to cover other contingencies for the rise and fall in the remuneration to labor. The present conditions of trade demonstrate to us that we have but little to fear from outside competition. Interest is as low here as abroad, or loans would not be placed in this country. In coal we certainly hold the key to the position. Workmanship and the amount turned out per capita are certainly superior in this country to the conditions abroad. As we take our place among the controlling powers of the world in the field of diplomacy, we certainly are now able to also assert our commercial supremacy when relieved of the shackles that have bound us to what are now in a measure traditions.

Q. Your argument, as presented, seems to be all to the advantage, as you say there, of the consumer. In other words, you would have changes made in the tariff to bring in cheaper goods to the consumer. Has it been your experience in handling foreign goods that your commissions are better than on domestic goods?—A. Usually less.

Q. What is the remarkable condition that would call for that Philanthropy on the part of those people who desire the tariff changed, or what?—A. Well, in the particular line in which I am interested, the goods are generally sold on closer time. I am speaking more particularly of paints. Mr. Mayer will talk more particularly on glass if you wish to call him. As I understand it, the profits on glass are not in any cases higher than they would be on American goods.

Q. In the matter of paints, is your tariff sufficient for your trade?—A. Yes; it is quite sufficient, and is a very moderate tariff, as you notice.

Q. Has it built up the paint trade of the United States?—A. Not particularly. I do not think it had much to do with it. The paint trade in this country, I think, is in advance of what it is on the other side in many respects.

Q. That is in growth, in development?—A. In development; and we lead in a great many things.

Q. What was the cause of the development of the paint trade in this country?—A. Simply the demand, you might say. That is, the demand has been greater in this country for paint, owing to the houses being in a measure frame, and also to the fact that this country has the money to pay for paint.

Q. Has not the paint trade had adequate protection since the placing of the Morrill tariff?—A. Yes. We are not complaining about the paint trade at all, other than in its relation to foreign trade. There we are hampered by reason of the two main articles, linseed oil and white lead, two articles we have to pay a greater price for than we really should. We should have a lower basis on those goods in order to increase our export trade. We will never be able to do much export trade on these articles.

Q. You make no complaint against any combination in the paint trade at all, simply in the glass trade?—A. Not specifically. We point out for notice two items; there is a combination in white lead and linseed oil.

Q. Do you not go into the agricultural schedules when you take up the oil matter?—A. Yes.

Q. It is a farmers' question entirely?—A. It is a farmers' question.

Q. Have you had, in Washington, lobbies for all kinds of paints?—A. No.

Q. Have you not had a committee there before the Ways and Means Committee?—A. There were committees when there was a question of dry colors.

Q. Did you not have a committee or organization there at the formation of the McKinley tariff?—A. I do not think there was anything done at that time to change

the bill as reported. In fact, nearly every bill that has been reported in regard to paints, colors, etc., has met the approval of the trade. The duties have been very moderate, mostly averaging about 25 per cent, rarely over 25 per cent, or something near that amount, except on the two items of oil and lead.

Q. Have you considered, in this matter of protection, where you in your paper say there is overprotection, that while you might seek the advantage of your own trade and the consumer, it would be to the advantage of another part of the trade?—A. No; I do not think that that could be alleged, that is, with reference to paints.

Q. So in the paint matter you have really no complaint to make at all. It is just simply the general affirmation that you make as to the possible modifications of the tariff which would be advantageous to the consumer?—A. Advantageous to the American exporter and consumer.

Q. And also advantageous to the distributer or commissioner?—A. Certainly, the cost would be less and the prices would be less to the consumer. That relates only specifically to linseed oil and white lead.

Q. Don't you think there are too many manufacturers of paints—of the raw product and the manufactured product?—A. The existing paint factories can turn out all that is necessary.

Q. And a good deal more?—A. Yes.

Q. Which gives the consumer, of course, ultimately advantage from the overproduction?—A. Yes.

Q. And lessens your opportunities?—A. The competition is very severe.

Q. So you don't ask for change in your tariff on paints to admit foreign paints?—A. No.

INDUCEMENTS TO THE TRADE OFFERED BY THE PITTSBURG PLATE GLASS COMPANY.

Q. (By Mr. Litchman.) Can you give any information upon the point whether there is a consideration for the "B" buyers by means of which the Pittsburg Plate Glass Company assumes the right to dictate the terms upon which they shall make sales?—A. That is a very munificent one—5 per cent, payable at the end of the year, if you behave yourself.

Q. And in consideration of that they agree to sell or handle only the products of the Pittsburg Plate Glass Company?—A. You are supposed to confine yourself to their products, as you see by the letters.

Q. Do you know if any printed or written contracts of that kind are issued by the Pittsburg Plate Glass Company?—A. I think it is all verbal—nothing signed.

Q. Were contracts of that nature offered to the firm that you represent?—A. I do not know. I am not advised on that subject.

Q. Are you in a position to know if such had happened?—A. I likely would, but I would rather refer that matter to Mr. Mayer.

RELATIONS EXISTING AMONG THE VARIOUS PAINT MANUFACTURERS AND DEALERS.

Q. Is there not a combination among paint manufacturers and dealers?—A. No; not that I know of.

Q. No association by which there is a mutual understanding?—A. Associations, not for the control of prices.

Q. No understanding at all by which harmony of action is reached?—A. It is generally supposed that they can't harmonize, because their products are all different. There is no basis on which we could regulate. There is a sentiment some have tried to create that it would be well, for instance, to charge $1.25 a gallon for paint, which would pay the manufacturer not over 20 per cent profit.

Q. The custom of your trade is such that the right to handle plate glass is a portion of your business?—A. I do not know as I could answer that exactly.

Q. Does it contribute to the success of the paint and oil business to have the right to handle plate glass?—A. It would; yes.

Q. And the custom of the trade is such that the exercise of that right is important to your trade?—A. Yes.

THE QUESTION OF WAGES.

Q. Have you gone into an analysis of the wage question in connection with the paint trade?—A. I have not in connection with the paint trade. As far as the house with which I am connected, we are paying the same wages we paid in 1892, which was considered to be a very good year, or good period. We have made no reduction.

Q. Was there any reduction in the period from 1893 to 1897?—A. Not in our own experience; we have kept the same scale.

Q. So far as you know was there in the general trade?—A. I do not think there has been.

Q. Then the rate of wages has remained uniform from 1892 down to the present time?—A. Yes.

Q. Can you give any opinion as to the comparative rates of wages paid by your firm and wages in similar trades in foreign countries?—A. Only through newspaper and magazine articles which I have read, which show a difference of about a third.

Q. That is, the wages in the United States are about one-third more than in the old country?—A. Yes.

Q. And reduced to a percentage can you tell offhand what it would be?—A. It would be about $33\frac{1}{3}$ per cent.

Q. And your tariff is about 25 per cent?—A. Twenty-five per cent.

Q. What proportion of the finished product is labor?—A. It would be a little difficult to arrive at that on account of the different articles; some are high priced, you know, and some on the average. It is hardly in my province. I am not on the manufacturing end; I am on the managing end.

Q. Do you know if your men are employed by piece or day?—A. Mostly by the piece. It differs in some departments, for instance, engineers.

Q. I am speaking more particularly of the production of paints?—A. Not by the piece, but by the hour.

Q. The prevailing number of hours of employment, of course, exists in your factory?—A. Yes; they have been very uniform.

TRADE METHODS OF THE PITTSBURG PLATE GLASS COMPANY.

Q. This circular that you read is one of those that came to your firm?—A. Yes.

Q. Can you produce a copy of it?—A. We could do it; yes.

Q. Will you do so? We should like to get an original copy.—A. I should like to confer with the head of our house before submitting that.

Q. (By Mr. FARQUHAR.) What would be the objection—you make it a part of your testimony here as an exhibit for the newspapers?—A. I do so; yes.

Q. Can you authenticate it by one of the circulars that came from that company?—A. I would prefer, as I say, to have Mr. Lucas himself pass upon that question of allowing the original to go out of his possession.

Q. (By Mr. LITCHMAN.) Do you know of any cases of a circular being sent to a firm that didn't have a contract or agreement, verbally or otherwise, with the Pittsburg Plate Glass Company?—A. I do not know of any; no. The fact is, I do not think there are any agreements.

Q. Still, you suggested there was a verbal understanding which amounted to the same thing, if I understood you correctly. Now, then, if your firm received one of these circulars, the inference is there is an agreement between your firm and the Pittsburg Plate Glass Company?—A. Well, if I write to a person saying I will do so and so, and I get no response, I do not know whether an agreement has been established. I say what I will do. Whether this other party agrees to it or not is another side of the question, and as I understand these letters, they are very much of that nature. For instance, we were "B" buyers. We were entitled, as I say, to the munificent stipend of 5 per cent at the end of the year, provided we behaved ourselves. And we received a letter similar to what you heard read. Now, whether we agreed to abide by that letter is another question.

Q. You first received from the Pittsburg Plate Glass Company a letter stating that if you agreed to their terms you would get a rebate at the end of a stated period of 5 per cent; do I understand that?—A. My impression is that the Pittsburg Plate Glass Company decided to make in this country some people "A" buyers—sheet buyers. They decided to make other people "B" buyers, and you were told whether you were a "B" buyer.

Q. That cut you off from the privilege of being "A" buyers?—A. Yes; unless you would say, "I will become an 'A' buyer, and will give you an order for a hundred thousand feet of glass, and regularly be a factor to carry on the sheet-glass business."

Q. Do you know if any letters were sent to your firm in connection with that arrangement, under which, if it was agreed to by your firm, these rebates would be allowed to you at the end of a given time?—A. I have no personal knowledge, but I presume so.

Q. And do you know if your firm entered upon that business under that tacit agreement?—A. We would certainly have had to do so, because there was no other recourse left.

Q. Then subsequent to that came the letter which you read in the exhibit?—A. Yes.

Q. Does not that establish the fact that there was an understanding between your firm and the Pittsburg Plate Glass Company?—A. It would in this sense, that the all-powerful and almighty combination says so-and-so is so, and you want to deal in the goods, and of course you say it is, if you can't do any better. You don't write him a letter saying, "I received your letter and I agree that I will be a good boy," or anything of that kind; but you simply go on with the business.

EXTENT OF CHANGE IN TARIFF RATES DESIRED.

Q. How far does your firm or the people you represent desire to go in the modification of the tariff?—A. As far as the modification in plate glass is concerned, we think we have successfully shown that the difference in labor charges would be sufficient.

Q. Is not that a highly finished product? That is not a raw material?—A. Oh, no, In the matter of raw materials that was not referred to. We had already referred to the matter of white lead and linseed oil. Of course they would be finished products to the manufacturer on the other side, but to us here, or the manufacturer here, they are crude materials when we manufacture them into paint.

Q. Have you considered this feature of the question: That an attempt to modify the tariff to suit the paint trade would open the door to a revision of the tariff all along the line?—A. We close by saying that we think the time has come when we might possibly venture to do something of that kind.

Q. You have said, on the broad general principle of protection, that you favor the theory of protection to American industries?—A. We do, most decidedly.

Q. You are aware there is a very powerful and intelligent propaganda in the United States that takes a directly opposite view, and believes in buying in the cheapest market?—A. Yes.

Q. Do you think there could be a lowering of the tariff generally without bringing the labor of this country into competition with the labor of foreign countries?—A. We would provide against that by making the difference always in the question of labor.

Q. Is not that a shadowy line of demarcation?—A. It might possibly be. It would require some considerable work to arrive at this, but kindly note we say here "some lines." These are some lines, and there are others which you will perhaps run against before you go very far, or have already; the iron and wire trust is an example. There are others, and we know this, that are particularly offensive. Now, as I say, about paints and colors we have no objection. In fact we would not care if it was free trade on paints, as far as the mere matter of what the benefit is to us, but on white lead and on linseed oil, and on plate glass, the duty is entirely too high. Now, I dismiss the question of window glass, and I show there that a box of glass can be bought in Antwerp to-day at the same price it costs to blow it out here in Pittsburg.

Q. That cost of blowing goes to labor, does it not?—A. All goes to labor.

Q. Was there any modification of the tariff under the Wilson bill in your trade?—A. Very immaterial.

Q. Practically no change?—A. No, it didn't affect us any. There were some few things proposed when they went to Washington that we thought unjust—a slight difference in the matter of vermilion. It was simply a misinterpretation of a sentence which required the attention of the trade. It was unjust to the American manufacturer, for instance, who was paying the same or a higher duty on crude material than on the finished product. That we wished to have changed. That is the reason we went to Washington at that time. It was a mistake. I do not think it was done intentionally. I think it was a mistake.

TRADE CONTROLLED BY THE PITTSBURG PLATE GLASS COMPANY.

Q. (By Mr. FARQUHAR.) What percentage of the total output of plate glass of this country does the Pittsburg Glass Company control?—A. We state here 20,000,000 feet, we think, is about the total production, and out of that they control 80 per cent.

Q. You do not know what manufacturers of plate glass this Pittsburg company controls in the combination, do you? Do you know the companies and where they are located?—A. I think they have absorbed them all; all goes under that one name. I will refer that question to Mr. Mayer.

Q. (By Mr. KENNEDY.) Had you offended the glass trust by buying imported glass?—A. I do not think we had. I would like to refer that to Mr. Mayer also.

BUSINESS OF JOHN LUCAS & CO.

Q. (By Mr. FARQUHAR.) When was the house of John Lucas & Co. established?—A. About 1848.

Q. Has it continued under that title since that time?—A. Yes; under the original name.

Q. Was the house for years manufacturers as well as sellers of product?—A. They commenced the manufacture I think in 1848.

Q. At the beginning?—A. Very shortly after; yes.

Q. In your sales, what sections do you particularly cover from Philadelphia?—A. We have branches in New York and Chicago, and cover the whole United States from the three branches. Philadelphia takes in the South and out to Indiana, and then the Pacific coast and such South American trade as we have been trying to do has been done under great disadvantages.

Q. So that really, then, your house has business all over the United States?—A. Yes, all over the United States. We have recently attempted to do business in Australia and India, but find it almost impossible.

Q. What foreign competitors have you in this field?—A. Mostly English and German. Germany has preempted Mexico.

Q. Was it not a fact when these tariffs were raised that it forced some German manufacturers to domesticate themselves in the United States as manufacturers?—A. I do not recall any German houses coming here. Really the difference in the tariff would hardly admit them in the manufacture of paints exclusively.

Q. Have the Germans an advantage in the matter of cheaper raw material over the American houses?—A. Yes, in lead products. And then, of course, they have a lower price in linseed oil usually, except this year. This is a very exceptional year.

COMBINATIONS IN THE WHITE LEAD AND PLATE GLASS INDUSTRIES.

Q. Would you claim, as far as you know, that the white lead product is in a combination?—A. It certainly is, yes.

Q. Has the so-called white-lead combination arbitrarily raised prices at all?—A. No; I think they have treated the trade fairly. There are quite a number of independent manufacturers of white lead.

Q. (By Mr. CLARKE.) Do you consider the Pittsburg Plate Glass Company as in the nature of what the public calls a trust?—A. Yes; I should say that was a trust.

Q. Do you consider that their arrangements with the "A" and "B" buyers are monopolistic and in restraint of trade?—A. At present, certainly so.

REMEDIES AGAINST THE ALLEGED ABUSES OF THE TRUSTS.

Q. Have you made any complaint to any United States district attorney or grand jury that they violate the anti-trust law?—A. We have not; no.

Q. Do you consider that their arrangements are in violation of the anti-trust law?—A. From that correspondence, I should say most decidedly yes.

Q. Why, then, would you not find a more speedy remedy against their alleged abuses by having that law enforced, and aiding in its enforcement yourself, than in looking for a general revision of the tariff?—A. We thought we were really going to the fountain head by striking at the cause. If we were to attempt anything through the United States district attorney it would simply be at our own expense.

Q. Do you think that the tariff is the cause of this alleged abuse, or is it merely a means taken advantage of by those who perpetrate the abuses?—A. Well, I should think it was both, really.

Q. You regard their process as in violation of law. What law could be enacted to protect you without thereby possibly injuring not only your industry, but other industries and the general prosperity?—A. Our argument, you see, is against the imposition of any duties which are proven—as the President says in his message—injurious, and they could come within Federal jurisdiction as far as trusts go, and as far as the modification of the tariff.

Q. It has been pointed out to you that it has been difficult to get an amendment of the tariff without opening the whole tariff question in Congress, and thereby possibly prostrating the industries of the country for a time, or at least checking them, and yet you have a remedy against these violations of the anti-trust law, of which you have not taken advantage. Why not avail yourselves of that first of all?—A. For instance, the question as to whether it is a trust might be raised. We would be fighting this matter at our own expense, as you of course understand.

Q. (By Mr. FARQUHAR.) Not in the least; it is a United States case.—A. Well, we have to be represented by an attorney.

Q. (By Mr. CLARKE.) Let me read to you section 4 of the anti-trust law. (Reading:) "4. The several circuit courts of the United States are hereby invested with jurisdiction to prevent and restrain violations of this act; and it shall be the duty of the several district attorneys of the United States, in their respective districts, under the direction of the Attorney-General, to institute proceedings in equity to prevent and restrain such violations. Such proceedings may be by way of petition setting forth the case and praying that such violation shall be enjoined or otherwise prohibited. When the parties complained of shall have been duly notified of such petition the court shall proceed, as soon as may be, to the hearing and determination of the case; and pending such petition, and before final decree, the court may at any time make such temporary restraining order or prohibition as shall be deemed just in the premises."

The WITNESS. We all know what law proceedings involve. A business man is called away at unseemly hours, or when he has something else to do; and we don't know as it has gotten quite that far that these letters, as I say, clearly render the company liable. We have not taken that side of the question up.

Q. Then it is your distrust of the law, or its methods, which causes you to hesitate and to prefer the long, tedious, and hazardous process of getting the tariff generally revised?—A. Well, anything that needs revision; yes.

Q. (By Mr. FARQUHAR.) Could you expect any modification or revision of the tariff within 4 years?—A. We did not consider that subject, but I think it is simply a question that will have to come sooner or later.

Q. (By Mr. LITCHMAN.) (Reading from the anti-trust law:) "S. 73. That every combination, conspiracy, trust, agreement, or contract is hereby declared to be contrary to public policy, illegal, and void when the same is made by or between two or more persons or corporations either of whom is engaged in importing any article from any foreign country into the United States, and when such combination, conspiracy, trust, agreement, or contract is intended to operate in restraint of lawful trade, or free competition in lawful trade or commerce, or to increase the market price in any part of the United States of any article or articles imported or intended to be imported into the United States, or of any manufacture into which such imported article enters or is intended to enter. Every person who is or shall hereafter be engaged in the importation of goods or any commodity from any foreign country in violation of this section of this act, or who shall combine or conspire with another to violate the same, is guilty of a misdemeanor, and, on conviction thereof in any court of the United States, such person shall be fined in a sum not less than one hundred dollars and not exceeding five thousand dollars, and shall be further punished by imprisonment, in the discretion of the court, for a term not less than three months nor exceeding twelve months."

Now, that applies to importations all through the law. The definition of an unlawful combination is clear and explicit, and the remedy is in your own hands?—A. The burden of proof is upon us, is it not?

Q. (By Mr. LITCHMAN.) If you can not prove the assertion you should not make it.—A. Take the cases of the Standard Oil Company, as I have read in the papers—Nebraska, for instance, and Texas and Ohio; what did the people make by it?

Q. They discovered that there was no trust in a legal sense; they went at it as a trust.—A. That is it, just the very thing. They found it was not a corporation in restriction of trade.

Q. But they had not been proceeded against as an unlawful combination under the Sherman Act.—A. But the man's business was wrecked, and he said this was an unlawful restriction of trade; he could not make anybody believe it. He followed your method.

Q. He did not follow my method; it is the method suggested by law.—A. He went before the courts.

Q. Now, the question comes here, if I understand your position correctly, and I ask it so you can set yourself right if I err: Are you willing to expose the industries of this country to the unsettlement and the uneasiness and the anxiety, etc., that will follow several months of tariff agitation in order to get a remedy for your individual trade, when a remedy can be reached by law?—A. That is where we differ as to the remedy.

Q. Well, I ask the question so you can set yourself right.—A. I have answered the last part of the question first. I say we do not think the legal remedy is a complete remedy.

Q. Assuming that the remedy is complete?—A. We have the actual facts before

us as to what have been the results from action of this kind, and practically nothing has been obtained.

Q. Assuming that the remedy is in the law, as has been stated to you by the chairman, who is a lawyer, would you prefer to adopt the other course with its consequences to the general industries of the country?—A. I will put it this way. The Industrial Commission has been appointed to look into these matters. Before this Industrial Commission there has been evidence taken which proves without doubt that some lines are inordinately protected. If we have not proven that we have not proven anything. We say we would be willing to stand any amount of agitation or whatever might follow in order to have those particular matters reduced to a proper basis.

Q. Then I do not misunderstand you in your position?—A. No; you do not.

THE TARIFF AND AMERICAN WAGES.

Q. Under the Randall proposition that the tariff ought to be collected on the bill side of Europe and this country, the invoice bill pays the difference in American wages?—A. As nearly as possible; as nearly as could be arranged, of course.

Q. Do you know of any plan whereby the American mechanic is going to get the advantage of that when there are so many middlemen taking out the profits of every single thing that goes in the tariff?—A. I would depend upon conditions to regulate that.

Q. Can you in your mind frame anything by which the American mechanic or workingman can be advantaged, unless it is a high tariff all around giving much to divide in profits?—A. Of course, we must take this into consideration, that everybody in the United States is not an American workingman. There are some people in other lines, and you are not going to legislate exclusively for him. There are other people that have some claims. You read the magazine articles to-day from the professional class in this country, and what do they prove? That everyone of them is satisfied with the Standard Oil Company and the Sugar Trust simply because they get cheap sugar and cheap oil. I think that the conditions in America to-day are specifically—I ought not to say specifically perhaps—due to protection. As I said before in speaking about paint, there is a larger market for paint in this country simply because our people are able to buy paint. We have many glowing descriptions of that wonderful East, of the Egyptian fellah that works for 10 cents a day and has a family of 10 children and lives in an adobe house. Talk about a market there! What market is there in a country where a man gets 10 cents a day, or in India, where he gets 4 cents a day? We do not want anything of that kind. We might, perhaps, among our other advantages which we are preaching over the world to-day, endeavor to raise the price of labor in all countries; but I do not think it is necessary, in order to do that, that we should protect any industry in this country to such an extent as we have shown here that some lines are now receiving.

Q. In this country, where we have a monopoly of the raw material of nearly everything, do you think that our wages could stay where they are now, tariff or no tariff?—A. I think eventually they would remain considerably higher than abroad, but they would certainly be brought into competition with foreign labor.

EXPORTATION OF TARIFF-PROTECTED ARTICLES.

Q. (By Mr. Litchman.) You have said that articles are exported and sold for less in foreign countries than they are in this country?—A. Yes.

Q. Do you know of such instances?—A. Only by newspaper articles that I have not with me. Some articles are sold abroad at a less price than here.

Q. Do you know the circumstances under which that is done?—A. No; I do not.

Q. Do you know whether it has been a custom with foreign manufacturers to dump their surplus in the United States?—A. I know that the law specifically provides against anything of that kind.

Q. Do you know that it has been done in the past?—A. I know it can not be done any more.

Q. Do you know whether it has been done in the past?—A. It may have been done years ago, but the United States protested against that sort of thing in making the invoices, if the price is lower in this country than it is abroad.

Q. That may be on the question of duties.—A. No; that is a question of price.

Q. You said that goods were sold in foreign countries at a less price than the same goods were sold in this country?—A. Yes.

Q. Now, can you name in your own knowledge any instance of that kind?—A. Only what I have seen in the magazine articles, take, for instance, the Hardware

Magazine. I have an article with me now that shows that wire nails are sold lower in England than they are here.

Q. Now, do you know that there has been at any time in the United States a sale of articles made in foreign countries at a less price than the same articles were sold for in foreign countries?—A. Well, if you will allow me, I will just recall this, and then I want you to hear me through on the other side, too; that it was customary, I believe, when purchases were made abroad that the innocent, and always to be revered, foreign manufacturer would send here a similar invoice consigned perhaps to himself or to order, and the party who imported the goods found that he was in competition with another similar invoice, showing that perhaps the man was ready to sell even at his price or lower. Now, we come to the question: Goods sold abroad in the market there at, say, 10s., can not be billed to the United States at 8s.

Q. That is a matter of the custom-house?—A. No; I mean the cost price. Eliminate the question of duties. Suppose free-trade countries both sides. Suppose to-day that butter was selling in England at 1s. per pound, we will say, and somebody in New York ordered over a thousand pounds, and the man billed it at 10d. a pound. The United States consul would have already advised the New York custom-house that the price of butter in England was 1s. a pound, and the receiver of those goods would find that his invoice was advanced. Of course, if it was a free-trade country there would be no necessity for it because it would pass through; but if it was a tariff country it would have advanced that butter 2d. a pound in New York.

Q. That is a question of duty, is it not?—A. No; that is a question of cost price.

UNDERVALUATION OF IMPORTED COMMODITIES BEARING AN AD VALOREM DUTY.

Q. (By Mr. Clarke.) Have you any other facts to present?—A. In reference to the cost of goods on the other side we have to-day, for instance, a question of this kind: The ad valorem duty is 25 per cent, and the Government of the United States tells us that the goods we have billed to us at a certain price are bringing a higher price on the other side, and they claim the right to advance that price to what they say they are selling for on the other side.

Q. (By Mr. Farquhar.) Is not that in the administrative act of the United States and the instructions of the appraisers?—A. That is a part of the administrative act; still it does not relieve the case one iota. It prevents the foreign manufacturer from selling goods in this country at a lower price than he is charging in the home market.

Q. (By Mr. Clarke.) Unless he does so in violation of law?—A. He could not. The consul there advises the appraising board here and they raise the appraisement. Therefore, I say it would be impossible for the foreign manufacturer to put goods in this country at a lower price than he is charging in his own country.

Q. (By Mr. Litchman.) It would be impossible for him to import them at a lower price, but it would not be impossible for him to sell them at a lower price after the duty has been paid if he saw fit to sell them at a loss?—A. Yes; to put it this way, that is his own fault, I suppose.

(Testimony closed.)

Philadelphia, Pa., *December 20, 1900.*

TESTIMONY OF MR. GEORGE H. MAYER,

Assistant Manager Glass Department of the Firm of John Lucas & Co., Philadelphia.

The special sub-commission met at the Manufacturers' Club at 10.37 a. m., Mr. Clarke presiding. At 12 o'clock noon Mr. George H. Mayer, of Philadelphia, was introduced as a witness, and, being duly affirmed, testified as follows:

Q. (By Mr. Clarke.) Please give your name, post-office address, and business.—A. 322 Race Street. I am assistant manager of the glass department of John Lucas & Co., Philadelphia.

Q. Are you familiar with the glass trade as carried on by that firm?—A. In a large measure; yes.

PRICES OF PLATE GLASS.

Q. Please proceed in your own way to tell the commission what you know about the present conditions of the trade and about any evils which have arisen in con-

ducting it.—A. I do not know that I can add any more information to what Mr. Elliott has already presented, and what has been set forth in the article he has written. Of course, we show you there what the so-called plate-glass trust has been doing. They have advanced the price of plate glass within the last 3 years at least 150 per cent, and have at the same time prohibited us from taking advantage of market conditions abroad. The price of plate glass to-day in Europe, f. o. b. Antwerp, is 10 to 20 per cent cheaper in cut sizes than it is here in the domestic article, and in stock sheets is about 50 per cent cheaper. In fact, I might say that we can not buy stock sheets here in this country, because we are "B" buyers and they will not sell them to us.

Q. Does that classification of "A" buyers and "B" buyers prevail abroad as well as here?—A. Not to my knowledge; I do not think it does. I think I am safe in making that assertion.

Q. The plate glass that you refer to as being sold at such lower prices abroad is of foreign manufacture, is it not?—A. Is of foreign manufacture, yes; French and Belgian manufacture, equal in quality to our own domestic product.

Q. Is it your complaint that the higher prices here are made by a combination of glass manufacturers in the nature of a monopoly?—A. Undoubtedly so.

Q. And that the combination is oppressive and in restraint of trade?—A. Undoubtedly so.

Q. Have you any circular of theirs or any letters which show the increase in price from time to time?—A. Not with me, but I think they are easily obtainable. It has never been disputed that such an advance has taken place. I think even the manufacturers, if you would call them before you, would admit that.

Q. Without for a moment doubting the fact, it is desirable to have it proved, and the time of the advance, and the manner of it also.—A. I think it could undoubtedly be proved by documentary evidence in the form of sales books, or possibly by correspondence and quotations giving the current prices 2 or 3 years ago and current prices to-day.[1]

TRADE RESTRICTIONS EXACTED BY THE PITTSBURG PLATE GLASS COMPANY.

Q. You may proceed, if you please, in your own way to set forth the facts and complaints that you have to make.—A. The chief and principal complaint is that the manufacturers of plate glass, according to the copy of the letters that have been read here to-day, prevent us from taking advantage of trade conditions that exist; in other words, prevent us from buying in the foreign market. They say emphatically that they will not permit us to import any plate glass.

Q. What will be the penalty in the course of business if you do buy foreign plate glass?—A. The inference is that the small differential discount will be withdrawn, the sum of 5 per cent, as Mr. Elliott told you; in other words, the plate-glass manufacturers, the plate-glass trust, to-day have fixed upon a minimum selling price of, we will say, 75 off as a trade discount. They sell to "B" buyers, houses such as John Lucas & Co., at this figure. They say in effect, If you agree to sell at our price, or not any lower than the minimum price we have fixed, we will give you this differential discount of 5 per cent, payable at the end of the year.

Q. Is it desirable to you to receive that discount?—A. Well, it is, in a certain sense.

Q. (By Mr. Farquhar.) Is it a hardship to lose it?—A. Of course there are some sizes of plate glass that we have to draw from the only obtainable supply, which is the Pittsburg Plate Glass Company. If we should sell them at prices lower than what they fix or determine upon, they could naturally cut off our source of supply.

Q. Is not this inducement to sell held out to the "B" buyers a premium?—A. I do not know that it is in the nature of a premium.

Q. It is an advantage?—A. It is an advantage. You could call it a bonus or whatever term you like. Within the past three years the price of plate glass has advanced about 150 per cent, without any apparent increase to the workmen.

Q. Without any increase to the workmen?—A. In their wages.

Q. (By Mr. Kennedy.) When this kind of glass you speak of was so much less than it is now, what were the prices in Europe as compared with the prices in this country? Were they on a level?—A. I do not know the figures, but I know that plate glass was imported more freely then than it is now, and presumably it would not have been imported if it could not have been purchased there for less than what the plate glass could have been bought for here.

Q. You spoke of one character of glass that is 10 to 20 per cent cheaper in Europe than it is in this country?—A. Yes. That is what we term cut sizes; glass cut to required measure, such as you see in this room.

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[1] See table supplied later by witness, p. 221.

Q. Has that character of glass been advanced 150 per cent by the trust inside of 2 years?—A. Yes. The stock sheet that I was speaking about is precisely the same quality. It is sold as it is finished in the factory without cutting or trimming the edges; in other words, with the selvage edges on.

Q. Is it not apparent, if the price in Europe is only 10 to 20 per cent cheaper, that there has been an enormous increase in the price of glass in Europe also?—A. I think it would indicate that the manufacturers here are taking an undue advantage of the tariff by fleecing the consumers.

Q. Can you tell what has caused this enormous increase in the price of this kind of glass in Europe? Is it the American trust, or is it some trust over there, or what is it?—A. I do not know. I do not know of the existence of any trust over there or any combination of manufacturers that would do it.

Q. But you are positive that the trust in this country has really advanced the price of glass from 100 to 150 per cent inside of 3 years?—A. Undoubtedly.

Q. (By Mr. LITCHMAN.) Would the supply of foreign glass be sufficient to supply your trade if you could obtain it?—A. Yes.

Q. If it is 10 to 20 per cent cheaper there, why do you not buy it?—A. We want to retain a tenable position here in this country. Of course, we do not know when conditions will change. And another reason, and a very strong reason why we should hesitate about taking advantage of the large difference in the price abroad, would be the intimation, or threat, if I might term it that way, of the plate-glass trust here, that they would probably reduce the selling price here and leave us a losing venture. In other words, if they saw a quantity of plate glass coming into this country, much more than what they thought should come in or would come in, they would have it within their power—due to the abnormally high duties—to reduce the selling price here to the extent of the difference between the foreign article and the domestic article.

Q. Your sales of plate glass in this country are mainly through the paint and oil men?—A. Well, paint sells glass and glass sells paint.

Q. You do not understand me. Is the sale of plate glass in this country mainly through your paint and oil associations?—A. Yes.

Q. Then if your paint and oil associations would stand together, there would be considerable surplus plate glass on hand if you all refused to buy from that company?—A. I do not know whether there would be any surplus at all. The demand is constantly increasing in this country. Plate glass is displacing cheaper grades.

Q. If all your people who now buy from the Pittsburg Plate Glass Company should cease to buy from them, there would be a surplus, would there not, on their hands?—A. Yes.

Q. Then could not you use the weapon of the glass costing from 10 to 20 per cent less in Europe temporarily to fortify your own position?—A. I do not see how we could with the existing duties staring us in the face.

Q. You said in spite of that condition it was 10 to 20 per cent cheaper?—A. Yes; it is to-day, but it might not be in three months.

Q. Why not take advantage of the conditions that exist to-day?—A. Because there is an intimation that the plate-glass trust, if they see fit, could possibly reduce the selling price here and leave us to sell at a loss a lot of glass that we have imported. They have it within their power, on account of the enormous duties.

Q. Would that approach to a conspiracy in restraint of trade?—A. I really do not know. I have not a legal mind. I could not answer that.

Q. If it did it would come under the purview of the law, would it not?—A. Yes.

Q. And the remedy would be through the courts?—A. Yes.

WAGES IN THE PLATE-GLASS INDUSTRY.

Q. You say there has been no increase in the rate of wages paid to the employees in the manufacture of plate glass?—A. So far as I can gather there has been none.

Q. You do not know that of your own knowledge?—A. No; not of my own knowledge.

Q. You know that the rate of tariff was considerably lower under the Wilson law of 1894 than it is under the present tariff law?—A. Yes.

Q. But you do not know that a corresponding decrease in the wages of labor followed that decrease in the tariff?—A. I do not know that, not being a manufacturer.

Q. You made the assertion that there had been no change in the wages.—A. That is within the past few years. I was just speaking of the period from the time that plate glass has advanced from 100 to 150 per cent. That is the point I want to emphasize.

Q. The probabilities are that with that increase in the tariff, there is also an increase in the wages?—A. If there is, it is not apparent to the trade generally.

Q. You have no knowledge of it?—A. We have as much knowledge as any man in the trade could gather.

Q. If with a reduction of the tariff there was a reduction in the wages paid to the labor, it is fair to assume that with the increase of the tariff there was an increase in the wages?—A. That is an assumption which I do not think is verified by the facts.

THE PURCHASE OF FOREIGN GLASS PROHIBITED.

Q. (By Mr. KENNEDY.) I asked Mr. Elliott whether your firm had offended against the plate-glass trust by buying foreign glass, and he left that question to you. Will you please answer it?—A. No; to the best of my knowledge, we have not offended.

Q. You have not made any purchases abroad?—A. We have made purchases abroad, but we were not aware that it would meet with any objection until of recent date here, which is evidenced by the copies of the letters before you.

Q. You received one of those letters?—A. I presume we did; yes. I believe they were sent out to the Class B buyers, quite a number of them. I believe there are 50 or more in the country. I am not sure now; I merely state that as an approximate estimate.

Q. You know whether you received such a letter?—A. Yes.

Q. You did receive such a letter?—A. Yes.

Q. Then is it not to be presumed that in the view of the plate-glass trust you had offended against them?—A. No; I do not think so. It is merely a decree from them stating that they will not permit us to import any more. In other words, it may be a change of policy on their part. It is for them to say just what it is.

Q. I would like to ask you whether you received this letter after you made purchases abroad?—A. We had purchased some abroad; yes.

Q. Do you know whether knowledge of the fact that you had made purchases abroad had come to the glass trust?—A. I believe it had, undoubtedly.

EVIDENCE OF RECENT ADVANCE IN THE PRICE OF GLASS.[1]

Q. I would like to have you give some figures to bear on this statement of yours about the plate-glass trust having increased the price of glass 100 or 150 per cent inside of 2 years. I would like to have you take a particular size of glass and show what the price of it was 2 years ago, then at different periods since, and then I would like to have you take the same prices for the same glass in Europe, beginning with that period, and show the changes as they went on, if any were made. Can you not do that?—A. I can give you an illustration of the changes as they occurred in the domestic article, but I do not know whether I can give you that information with regard to the foreign changes within the same period.

Q. Will you take particular classes of glass, show what the prices were 2 years ago, 3 months, 6 months, and so on for the 2-year period?—A. Yes; I can take a stated size and show you what it was worth 3 years ago and what it is to-day. I can give you that in detail now, so far as the domestic article is concerned, but I can not with reference to the foreign. I will give you 3 examples. Take size 12 by 60—that is, 12 inches by 60 inches; the price 2 or 3 years ago was 75 cents a light; to-day it is selling for $1.88. Size 24 by 60, the price 2 or 3 years ago was $2.40; to-day it is $6. Size 24 by 84, 2 or 3 years ago was selling at $4.55; to-day it is selling at $11.38. The basis that I take on the price 2 or 3 years ago is 90 per cent discount; the basis to-day is 75 per cent discount.

Q. Those are sizes in common use?—A. Those are sizes largely in demand; in fact, those three sizes cover the greater part of the demand.

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[1] See pp. 231, 232.

The following table gives prices for a longer period:

Average selling prices per square foot for polished plate glass from 1890 to 1900.

	1890.	1891.	1892–93.	1894.	1895 (Jan. to July).	1895 (July to Dec.), new list.	1896 (Jan. to July).	Aug., 1896, to Apr., 1897.
	Cents.	*Cents.*	*Cents.*	*Cents.*	*Cents.*	*Cents.*	*Cents.*	*Cents.*
1 to 5 feet	49	51	42	33	31$\frac{2}{5}$	32	32	30
5 to 10 feet	64	67	64	43$\frac{1}{3}$	51$\frac{1}{2}$	51$\frac{1}{4}$	51$\frac{1}{4}$	48
10 to 25 feet	85	88	85	57	68	73	73	68
25 to 50 feet	90	93	90	60$\frac{1}{3}$	72	77	77	72

	May, 1897, to Sept., 1897.	Oct. and Nov., 1897.	Dec., 1897, to Apr., 1898.	May, 1898, to Aug., 1898.	Aug., 1898, to July, 1899.	Aug., 1899, to Jan., 1900.	Feb., 1900, to July, 1900.	Aug., 1900, to Dec., 1900, inclusive.
	Cents.	*Cents.*	*Cents.*	*Cents.*	*Cents.*	*Cents.*	*Cents.*	*Cents.*
1 to 5 feet	20	23	15	27	30	32	34	37$\frac{1}{2}$
5 to 10 feet	32$\frac{1}{2}$	32$\frac{1}{2}$	24	43	48	51$\frac{1}{4}$	54	60
10 to 25 feet	46	46	34	61	68	73	76$\frac{1}{2}$	90
25 to 50 feet	49	49	36	65	72	77	81	85

Q. (By Mr. LITCHMAN.) How far was the importation of glass affected from 1894 to 1897 by the passage of the Wilson bill? Have you any information on that point?—A. No; I have not.

Q. Did it increase?—A. It largely increased, I believe, under the Wilson law.

Q. Was there any surplus, or was there any excess of importation just previous to the passage of the Dingley bill?—A. No; I think not.

Q. You do not know whether there was an increase in the general importation during that period, from 1894 to 1897?—A. I believe there was; yes.

Q. During the period of the Wilson law?—A. Yes.

Q. That would have had a tendency to decrease the price in this country, would it not?—A. I think it would.

Q. By the natural law of competition?—A. Yes.

MONOPOLY POWER EXERCISED BY THE PITTSBURG PLATE GLASS COMPANY.

Q. (By Mr. CLARKE.) Has your house ever entered into an agreement with the Pittsburg Plate Glass Company not to import glass?—A. No.

Q. Why, then, should they lay down the law to you to prevent you from importing glass?—A. I do not know, unless it is to kill competition entirely.

Q. What right has one American citizen or corporation or firm to dictate to another as to what it shall or shall not do?—A. Well, they assume that right.

Q. On what basis do they assume it?—A. The right of might, I presume. They control the situation because they control 80 per cent of the output of glass, and they have it in their power to reduce the price whenever they see any imports coming in that would possibly displace a portion of their output.

Q. You regard their organization, then, as a monopoly?—A. Yes.

Q. And you regard their methods of business as in restraint of trade?—A. Yes.

Q. And as oppressive?—A. I think they are very oppressive.

Q. Have you ever made any complaint, or has anybody on behalf of your house made any complaint, to any district attorney or grand jury against their organization and its methods?—A. Not to my knowledge.

Q. Does it not seem to you that under the provisions of the laws of the United States which you have heard read here,[1] you have a speedy and effective and inexpensive remedy against their alleged abuses?—A. I think that has been brought forth in the testimony of the previous witness. But at the same time the cause for the evil exists and will exist whether we should obtain a speedy remedy from any Federal court or not. It remains in the form of an oppressive, exorbitant tariff, of which the manufacturers are taking an undue advantage. The tariff, as I understand it, is primarily made for the purpose of protecting the American industries and propagating them, and at the same time for the protection of the workingman against the low wages in Europe. But, as I have stated before, I have not heard or I have not known of any increase given in the wages to the workingmen by the plate-glass

[1] See testimony of Mr. F. G. Elliott, p. 215.

manufacturers here, and we do know to a certainty that they have increased the price to the consumer 150 per cent.

Q. You say that the Pittsburg Plate Glass Company supplies to the market 80 per cent of the plate glass consumed?—A. About that.

Q. Who supplies the remaining 20 per cent?—A. Three outside corporations; 3 outside plate-glass companies.

Q. You speak of them as outside companies. You mean that they are independent of the trust or combination?—A. That is the definition the trade gives them, but I do not think they are independent.

Q. They are engaged in producing in this country?—A. Yes.

Q. Where are they; can you tell?—A. Yes.

Q. Please give their names and places of business.—A. The Standard Plate Glass Company, Butler, Pa.; the Edward Ford Plate Glass Company, Toledo, Ohio, and the American Plate Glass Company, Alexandria, Ind.

Q. Are you able to state how long these companies have been in the business of furnishing glass to the market?—A. The Standard Plate Glass Company, I think, has been in business a good many years—at least 10 years or more. I think you could call them an old-established firm in the general sense of the term; and I think the same thing applies to the American Plate Glass Company at Alexandria. The Edward Ford Glass Plate Company is a new concern, a plant about a year or two old, just getting in working order, but manufacturing some output.

Q. Is the glass furnished by these companies of equally good quality with that produced by the Pittsburg Plate Glass Company?—A. Yes; about identical.

Q. Do you buy from any of these 3 outside or independent companies?—A. No.

Q. Why not?—A. Well, their glass is principally marketed in the West.

Q. Is there any reason in the trade or in transportation why you should not buy of them if you wish to?—A. Well, their output is comparatively limited, only about 20 per cent of the entire production of the country, and what glass they do produce has all been engaged principally by western jobbers or men financially interested in their plants.

Q. Do you know whether or not any other firms or companies are building plate-glass works in this country?—A. I do not know definitely. I hear rumors, but I could not substantiate them.

Q. Now, these 3 independent companies which exist, and others, if there are any, which are beginning an existence, are organized under our American laws and conditions the same as the Pittsburg Glass Company, are they not?—A. I believe so.

Q. Has it occurred to you that if these laws were changed for the purpose of preventing the alleged abuses by the Pittsburg Plate Glass Company, the change might be oppressive to these new and independent companies, and might possibly impair their ability to compete with the Pittsburg Plate Glass Company?—A. I do not quite catch the drift of your question.

Q. Suppose the tariff were to be reduced as you think it should be to prevent the abuses by the Pittsburg Plate Glass Company, would that reduction be destructive of these independent competing companies?—A. No. I think they are financially well equipped to compete in the open market if they so decide.

Q. Well, then, what is to hinder your getting your supply of glass from them?—A. As I said before, their output is limited and all of it has been engaged.

Q. If prices are excessive, why do they not enlarge their works so as to supply the demand?—A. That is the natural course of business, but I do not know that it is the natural course of monopolies in restraint of trade. I think the natural course of monopolies is to restrict the output and put up the price.

Q. That is the charge you make against the Pittsburg Plate Glass Company. Do you claim the independent companies are monopolies?—A. I do not remember making any charge against the Pittsburg Plate Glass Company about restricting the output.

Q. But that it is a monopoly?—A. Oh, yes.

Q. Do you claim these independent companies are monopolies?—A. Well, it is generally supposed they are working under agreements with the Pittsburg company as to uniform prices.

Q. Have you any knowledge of any such agreements?—A. Only hearsay.

Q. Have you taken any measures to obtain definite and exact information as to whether such agreements exist or not?—A. No.

Q. If such agreements exist between these companies and the Pittsburg Plate Glass Company, would it not seem to you that they are in violation of the anti-trust law?—A. Yes. I might say, without interrupting you, that if the so-called independent companies and the Pittsburg company are working under an understanding, the facts are not obtainable in writing, or any evidence that would be competent evidence before a court.

EARNINGS OF THE PITTSBURG PLATE GLASS COMPANY.

Q. (By Mr. FARQUHAR.) Do you know of any dividends declared or paid by the Pittsburg Plate Glass Company since they went into the combination?—A. No; I do not.

Q. Do you know whether it is a money-making concern or not under the combination?—A. I do not know, but I presume it is.

Q. Do you know that the combined company is making more money on the product than they did while they were separate companies?—A. I do not know that.

Q. Do you know that their dividends are greater or less than those of the independent companies in the same business?—A. No; I do not know that.

Q. Do you know whether the scale of prices given to the distributer or to the consumer by the Pittsburg Plate Glass Company is the same as that given by the independent companies?—A. I know it is in some lines. Whether it is in all or not I do not know, not buying from the independent companies.

KINDS OF GLASS HANDLED.

Q. Is there any more profit to you as merchants, not producers, in handling the "A" stock—that is, stock sheets—than there is in handling the cut sizes?—A. Yes.

Q. You desire to bring into your business the cutting and sale of the larger sheets so that there will be a profit in handling them?—A. Yes.

Q. We understand, then, when you bring forward your argument here, that your desire as a merchant is to acquire part of this profit by having the same rights as to stock sheets as you have as to cut sizes?—A. Rather the privilege of buying the stock sheets.

Q. It is more profitable to you?—A. It can be handled to better advantage.

Q. (By Mr. LITCHMAN.) You would have no grievance against the Pittsburg Plate Glass Company if you were able to be "A" buyers as well as "B" buyers?—A. I think the same conditions would exist.

Q. Is the glass that you speak of known in the trade as cast polished plate glass?—A. Yes.

Q. And it may be either finished or unfinished?—A. In speaking of plate glass it is supposed to be the finished article, or polished.

Q. You handle the finished article?—A. Yes.

Q. And you handle no silvered glass?—A. Yes; every line of glass for glazing purposes.

Q. The trade size is 16 by 24 inches?—A. Not for plate glass; that is window glass.

Q. I understand the cast polished plate glass, 16 by 24 inches, is a trade glass.—A. It is a size that is used.

Q. And 24 by 30 inches square, also 24 by 60 inches?—A. Yes.

EFFECTS OF THE TARIFF ON PLATE GLASS.

Q. Have you any knowledge of the comparative tariffs of 1897, 1894, and 1890 on these different sizes of glass?—A. No; I have not.

Q. In 1890 the tariff on 16 by 24 was 5 cents per square foot; in 1894 it was also 5 cents per square foot, and in 1897 it was 8 cents per square foot. In 1890 the tariff on 24 by 30 was 8 cents; in 1894 the same, and in 1897, 10 cents. In 1890 the 24 by 60 was 25 cents per square foot; in 1894 it was 22½ cents.—A. I believe that size has always been 22½ cents.

Q. In 1897 it was the same?—A. The same to-day, I believe—that large size.

Q. Well, if the tariff is substantially the same under the 1897 tariff that it was in 1894 and 1890, how can the tariff be the reason for the condition of affairs that you complain of?—A. Just as I told you; they take advantage of the tariff.

Q. How more now than in 1890 or in 1894?—A. Because their interests are more consolidated. They have a grasp on the output; they control the output and the distribution of it to-day.

Q. By a combination?—A. Presumably so.

Q. And if that is unlawfully done it is an unlawful combination?—A. It certainly is.

Q. Then the difficulty is the unlawful combination and not the tariff?—A. Primarily it is the result of the high tariff.

Q. But was not thought of until the tariff of 1897 and the growth of trusts in later years; that is your claim?—A. That is the idea. In other words, the plate-glass manufacturers were not so arrogant then as they are now. As the correspondence

shows—the copies of the letters submitted by Mr. Elliott,[1] they have it within their power to prevent you from importing. This is one of the tendencies and evils of the day which would not be possible if it were not for the high tariff and protective duty which protects nobody but the manufacturer.

Q. (By Mr. FARQUHAR.) And the workingman; you would add that?—A. Oh, yes.

REGULATIONS CONCERNING DIFFERENT GRADES OF BUYERS.

Q. (By Mr. KENNEDY.) Does the trust permit of more than one "A" buyer in a city—in Philadelphia, for instance?—A. Not in this city. I do not know how it would be in other cities like New York, Chicago, and Boston. I know there is only one "A" buyer in Philadelphia.

Q. (By Mr. LITCHMAN.) And who is that one?—A. The Hires-Turner Glass Company.

Q. (By Mr. KENNEDY.) That is the result of the trust's action, is it?—A. They promulgated that program of "A" and "B" buyers; announced it to the trade, to us, and everyone else interested in glass.

Q. (By Mr. CLARKE.) What had been the course of the trade prior to that promulgation?—A. You could buy in stock sheets. You could make a contract and buy stock sheets. You could send in a list of your requirements and make a contract for what you wanted at whatever price they chose to sell you. There was no uniformity of prices, as there is to-day.

Q. Did dealers generally buy large sheets and cut them themselves?—A. Yes. They preferred to buy them that way because they were cheaper, and from business experience it was found to be more advantageous to buy that way than to buy cut sizes.

Q. Have you any idea why they restrict that cutting to one firm in a city?—A. Why they give that privilege as "A" buyers, you mean?

Q. Yes.—A. No; I do not know the actual reason for it.

Q. Well, do you think it is for the convenience of the trade or is it oppressive and for the purpose of making more money?—A. I think it is oppressive. I think it is a step to crowd out the jobber of plate glass—give them less competition.

Q. What is the object of the company in crowding out the jobber?—A. To take the field themselves exclusively, I presume.

Q. So as to deal more directly with the retailers of glass and thus crowd out one class of middlemen?—A. I presume that is the inference that can be drawn.

Q. Is that oppressive to the retailer?—A. I think the fact that the price has advanced 150 per cent in the last 3 years is evidence that it is oppressive.

Q. That might be from other causes; but is the mere fact of crowding out the jobber or any other middleman oppressive to the retailer?—A. I think it is a step in that direction. When you eliminate competition, the man who remains in the field can sell his product any way he pleases. If they have been enabled to advance the prices 150 per cent in the last 3 years in the face of the competition of the dealers, what will they do when they have eliminated every vestige of competition and crowded out the "A" and "B" buyers?

POSSIBILITY OF JOINT ACTION AGAINST THE PITTSBURG PLATE GLASS COMPANY.

Q. Since you admit that you can buy foreign glass at a lower price than the trust make, and since you admit that these dealers might combine to buy it, would not that, in your opinion, operate as restraint upon the exactions and oppressions of the monopoly?—A. At first thought it would appear that way, but I do not know whether that would be the result.

Q. (By Mr. KENNEDY.) How long does it take to get plate glass from Europe?—A. Not over 30 days in regular stock sizes; sometimes 6 and 8 weeks. I will say 30 to 60 days.

Q. If the Philadelphia dealers were to boycott the trust and buy in Europe, is it probable that the trust would then invade the field through its own agents and supply the trade at such figures that the dealers who had patronized Europe would be carrying on a losing venture, as you say?—A. Yes.

Q. And they could not, therefore, compete with the trust by this method that is suggested of buying in Europe?—A. That is what I mean to say.

THE MIDDLEMAN AND THE CONSUMER.

Q. (By Mr. LITCHMAN.) The cost of glass is the cost of the material plus the wages paid to the laborer and a necessary allowance for the investment of the plant, is it not?—A. Yes.

Q. Then the cost of glass is not affected by the presence of a middleman between the manufacturer and the consumer?—A. Most assuredly not.

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[1] See p. 208.

Q. Then if the plan of operation of the Pittsburg Plate Glass Company eliminates the middleman, as represented by your firm, that fact of itself need not oppress the consumer of the glass, need it?—A. I do not know. It depends upon the point of view entirely.

Q. That fact of itself, that you are not given the privilege to sell glass, need not increase the price to the consumer?—A. It has that tendency. I have demonstrated that by the evidence.

Q. You have demonstrated that glass costs you more.—A. No; I have demonstrated that it costs the consumer more.

Q. Is it not true that in addition to what you pay the Pittsburg Plate Glass Company the consumer has to pay the profit that you realize for the handling of it?—A. No.

Q. You do it without any profit?—A. We sell plate glass at the same price it costs us, and we get our differential, or whatever you may term it, of 5 per cent at the end of the year.

Q. That is all you get for handling plate glass?—A. Yes.

Q. And for that 5 per cent you are willing to have a tariff agitation in the United States that may result in the unsettling of values in every line of industry?—A. I did not say so.

Q. You have heard the question asked here as to how your particular line of industry could receive tariff legislation without opening up the whole field of tariff agitation, have you not?—A. I heard the testimony; yes.

Q. (By Mr. Clarke.) So far as this question of the tariff is concerned, this commission is required by the act of Congress creating it to investigate the conditions of business and to recommend to Congress and the several states such changes in laws as it may think best to recommend for the improvement of business conditions. Now, these witnesses in regard to glass come before us with an expressed opinion that the tariff is the cause of the difficulties that they encounter. That makes it absolutely necessary for us to hear their evidence, and that, of course, involves the tariff question in broad terms.

Q. (By Mr. Kennedy). This further question is desired to be asked: Does the Pittsburg Plate Glass Company have a distributing house in Philadelphia and other cities?—A. Yes; in all the large cities. That is a recent innovation, though; within the past few years.

Q. And they supply you from that distributing house?—A. If they have the stock; if not, they ship it from the factories.

Q. And if you attempted to boycott them by importing glass from Europe, they would have the ready facilities for supplying the trade in Philadelphia while you were getting glass from Europe?—A. They have, yes. I might strengthen my position by saying they are not running at their full capacity. I believe one plant is idle.

Q. (By Mr. Litchman). If they were to establish their own means of distribution, that of itself would eliminate the middleman, would it not?—A. I do not think it would, because the glass business is a peculiar one. To engage in it largely requires the handling of various other lines of glass in connection with the plate glass, and in that way they could not eliminate us entirely.

Q. (By Mr. Farquhar). Here is a question that is sent up [referring to slip of paper] that may throw some light on the matter. The question is, Does not the Pittsburg Plate Glass Company, at its branch houses, also handle a line of paints, brushes, and similar supplies from a factory in which they are interested?—A. Yes; that is another recent innovation.

Q. (By Mr. Litchman). Has not the Pittsburg Plate Glass Company the right to go into the paint and oil business if they wish to?—A. Most assuredly.

(Testimony closed.)

Philadelphia, Pa., *December 22, 1900.*

TESTIMONY OF MR. JOHN PITCAIRN,

President of the Pittsburg Plate Glass Company.

The special sub-commission met at 10.05 a. m., Mr. Clarke presiding. At that time Mr. John Pitcairn, president of the Pittsburg Plate Glass Company, appeared as a witness, and, being duly affirmed, testified as follows:

Q. (By Mr. Clarke.) Please give your name and post-office address.—A. John Pitcairn; No. 1304 Land Title Building, Philadelphia, Pa.

Q. What is your occupation and position?—A. President of the Pittsburg Plate Glass Company.

STATEMENT OF TOPICS TREATED.

Q. The commission will be pleased to hear you make a statement in your own way concerning the business, not only of your company, but of that industry in general.—A. Mr. Chairman and Gentlemen of the Industrial Commission: In response to your invitation I appear before you to give any information in my power upon the subjects you are investigating, and especially in regard to the industry with which I am connected, which I will treat under the following heads:

1. Brief statement of the growth of the plate-glass industry in the United States.
(*a*) Origin and growth of the industry, 1869 to 1900.
(*b*) Overproduction by reason of competition induced by large profits. Period of depression in the industry.
(*c*) Consolidation of the largest factories by purchase by the Pittsburg Plate Glass Company.
2. Distribution of its own product by the consolidated company.
3. Necessity of extending the jobbing business of the Pittsburg Plate Glass Company by adding the sale of allied products, such as window glass, paints, and painters' supplies.
4. Conditions of the industry in Europe.
(*a*) Production in Europe for 1900.
(*b*) Combinations of manufacturers in France, Germany, Belgium, and England, and the international syndicate.
(*c*) The United States a "dumping ground" for the surplus product of Europe.
5. Answer to charges of Mr. Fred. G. Elliott and Mr. George H. Mayer.
(*a*) Origin of classification of preferential buyers.
(*b*) Reasons for the Pittsburg Plate Glass Company embarking in the jobbing business.
(*c*) Advance in prices justified by increased cost of raw materials and labor.
(*d*) Advance in prices reasonable, not excessive, as charged.
(*e*) Comparison of selling prices of plate glass at periods of five years from 1875 to 1900.
6. Tariff in the United States.
7. Profits and dividends.
8. Annual statement of the Pittsburg Plate Glass Company to January 1, 1900.
9. Wages; Comparative statement of wages of labor in Belgium and the United States.

THE GROWTH OF THE PLATE-GLASS INDUSTRY IN THE UNITED STATES.

(*a*) *Origin and growth of the industry.*

After various attempts to manufacture polished plate glass in the United States, which were all made on a very small scale and proved soon to be failures, the first substantial success was obtained by Mr. W. C. DePauw, at the New Albany (Ind.) works, which were incorporated in 1869, but did not produce polished plate glass until 1873. In later years this factory was dismantled on account of obsolete machinery and unfavorable location.

The Crystal City (Mo.) works organized in 1872, under the name of the American Plate Glass Company, and reorganized as the Crystal City Plate Glass Company in 1876 by the Hon. E. A. Hitchcock, took the next step toward the expansion of the plate glass industry in the United States, beginning on a small scale in comparison with the present magnitude of these works, and proving successful without interruption.

In 1883 the Creighton factory was founded by Capt. John B. Ford, with whom I became associated in consequence of my interest in natural gas, and it was at these works that the new idea of using natural gas in the manufacture of plate glass was introduced.

The Tarentum and Ford City works were started shortly afterwards, closely followed by new works at Butler, Duquesne, Charleroi, and Irwin, in Pennsylvania, and at Kokomo, Elwood, and Alexandria, in Indiana; later a factory was established at Walton, Pa., and recently one at Toledo, Ohio.

After passing through more or less difficult periods, during which some of the factories were dismantled and others reorganized, the situation of the polished plate-glass industry in the United States at the present date, 1900, is as follows:

Statement of total furnaces and pots and number in operation December 20, 1900.

Name and No. of works.	Location.	Total.		In operation.		Capacity.	Sales.[1]
		Furnaces.	Pots.	Furnaces.	Pots.		
Pittsburg Plate Glass Co.:						*Feet.*	*Feet.*
No. 1	Creighton, Pa	3	60	2	40	1,900,000	
No. 2	Tarentum, Pa	4	80	3	60	2,614,500	
No. 3	Ford City, Pa	5	100	4	80	3,486,000	
No. 4	do	5	100	[illegible]	80	3,486,000	
No. 5	do	6	120	5	[2] 120	1,890,000	
No. 6	Charleroi, Pa	5	100	4	80	3,486,000	
No. 7	Elwood, Ind	4	80	3	60	2,614,500	
No. 8	Kokomo, Ind	5	100	3	60	2,614,500	
No. 9	Crystal City, Mo	4	80	2	60	2,614,500	
No. 10	Walton, Pa	6	120	0	[2] 120	1,260,000	
Total		47	940	29	760	25,966,000	13,637,146
Standard Plate Glass Co	Butler, Pa	3	60	2	40	1,900,000	1,925,000
American Plate Glass Co	Alexandria, Ind	6	104	3	60	2,500,000	2,184,000
Ford Plate Glass Co	Toledo, Ohio	5	100	3	40	1,500,000	1,050,000
Total in United States		61	1,204	37	900	31,866,000	18,796,146

[1] Sales for 1900, month of December estimated. [2] Small pots.

In 1876 the domestic production was about 600,000 feet, and 5,700,000 feet were imported, showing a total of plate glass consumption in the United States of 6,300,000 feet only, against sales of domestic and foreign glass of about 21,000,000 feet in 1900. This shows the remarkable development of the industry during the last twenty-five years.

(*b*) *Overproduction by reason of competition induced by large profits.*

The growth of the plate glass industry has been spasmodic. After numerous failures, as I have before stated, success was achieved by the Crystal City Plate Glass Company, and two new factories were soon erected in the vicinity of Pittsburg. For several years large profits were made, which stimulated the erection of 7 new factories, resulting in a production largely in excess of the requirements of the country and a consequent depression in prices. The industry became unprofitable. One factory was sold by the sheriff, and several others were on the verge of bankruptcy. This condition lasted for several years, when an effort was made to consolidate the largest factories.

(*c*) *Consolidation of the largest factories, and the reasons therefor.*

A difference in views in regard to capitalization delayed the consolidation for many months, some of the owners desiring a large capital, but a conservative element insisting that the properties should be put in at actual values. The conservative element finally prevailed and the consolidation was effected by means of the Pittsburg Plate Glass Company, which owned 4 factories, increasing its capital and buying the properties of the other companies. The actual capital of the consolidated company was $10,000,000. I desire to emphasize the fact that, in buying in the various factories at actual values the policy was different from that of many consolidations of recent date with capital stock far beyond the actual values of the properties represented.

DISTRIBUTION OF ITS OWN PRODUCT BY THE CONSOLIDATED COMPANY.

There were still three independent factories which did not come into the consolidation, owing to their being on the verge of bankruptcy, their liabilities being such that their stockholders would receive little or nothing on the basis of values placed upon the factories which had consolidated. The consolidated company reduced the production of its factories, and the independent companies were enabled to run their factories at full capacity. The Pittsburg Plate Glass Company was at the mercy of the jobbers, who fixed the prices at which glass was sold, and it was determined by the consolidated company to establish its own branch houses and sell its glass directly to the consumer. At the present time it has invested in the jobbing branch of its business $4,044,000, and has warehouses in New York, Brooklyn, Boston, Philadelphia, Chicago, St. Louis, Cincinnati, Detroit, Cleveland, Minneapolis, Davenport, Columbus, Milwaukee, and Omaha. with branch offices for the sale of glass at Rochester, Baltimore, and Buffalo.

THE NECESSITY OF ADDING THE SALE OF SUCH ALLIED PRODUCTS AS WINDOW GLASS, PAINTS, AND PAINTERS' SUPPLIES.

The sale of plate glass alone would not warrant the establishment of branch houses, except in the largest cities; therefore necessity compelled us to add these branches to our jobbing business, in order to meet competition and that we might be in a position to sell to buyers all lines handled by the trade generally.

CONDITIONS OF THE INDUSTRY IN EUROPE.

The following is the latest information I have been able to obtain in regard to the plate-glass industry in Europe.

(*a*) *Production in Europe.*

The production of polished plate glass in Europe for the year 1900 is as follows:

Names of companies.	Producing capacity.	Actual output.
BELGIUM.	*Square feet.*	*Square feet.*
Auvelais	5,000,000	2,500,000
St. Roch	5,000,000	2,500,000
Moustier	3,300,000	1,600,000
Charleroi	2,900,000	1,400,000
Oignies	2,200,000	1,100,000
Courcelles	2,100,000	1,100,000
Roux	1,900,000	1,100,000
Floreffe	1,500,000	700,000
St. Gobain	800,000	400,000
Total, 9 factories	24,700,000	12,400,000
FRANCE.		
St. Gobain (4 factories)	7,500,000	3,800,000
Nord	3,700,000	1,800,000
Aniche	1,700,000	1,400,000
Boussoit	1,600,000	....
Assevent	800,000	800,000
Total, 8 factories	15,300,000	7,800,000
GERMANY.		
Stolberg and Mannheim	4,700,000	2,400,000
Eckamp	2,600,000	1,300,000
Schalke	2,000,000	1,000,000
Herzogenrath	1,900,000	1,000,000
Porz-Urbach	1,600,000	....
Freden	1,200,000	600,000
Altwasser	700,000	300,000
Total, 8 factories	14,700,000	6,600,000
ENGLAND.		
Pilkington Brothers	....	4,200,000
London and Manchester	....	2,300,000
British	....	900,000
Union	....	500,000
Total, 4 factories	7,900,000	7,900,000
AUSTRIA.		
Stankau	....	....
St. Gobain (Bilen)	....	....
Total, 2 factories	2,300,000	1,100,000
RUSSIA.		
Nord	....	1,100,000
LaKash	....	700,000
Moscow	....	700,000
Midi	....	700,000
Total, 4 factories	3,200,000	3,200,000
ITALY.		
Pisa (St. Gobain Co.)	800,000	800,000
Grand total	68,900,000	39,800,000

The above statistics have been recently gathered with great care and are believed to be correct.

In illustration of the rapid growth of the plate-glass industry in Europe, I give the following official statistics for Belgium:

Production in—	Square meters.
1895	1,080,620
1896	1,226,475
1897	1,230,550
1898	1,453,365
1899	1,619,590

While official figures of this kind are not compiled for the other European countries, it is safe to assume that the growth has been similar wherever plate glass is manufactured in Europe.

Experience has demonstrated that the consumption of plate glass is not elastic and can not be forced so as to absorb an arbitrary increase of production, the consumption depending upon general prosperity, because plate glass is considered a luxury. In the opinion of manufacturers of plate glass in Europe, the selling price is not regulated by the general law of supply and demand, the increase of production being spasmodic, while the consumption, although steadily growing, remains limited.

(*b*) *Combinations of manufacturers in France, Germany, Belgium, and England—The international syndicate.*

Aside from short periods of indiscriminate competition, which have invariably proven disastrous to the interests of the manufacturer, there has always been cooperation, trust, or syndicate arrangement among the European manufacturers of plate glass for regulating prices, and in some cases, especially in the latter years, also for adjusting the production.

In France the St. Gobain Company has the largest production, and has thorough control of the market through close connection with the other manufacturers in that country. (This company, which is the oldest in Europe, dating back for more than 2 centuries, has 4 factories in France, 2 in Germany, 1 in Belgium, 1 in Italy, and 1 in Austria.)

In Germany the manufacturers are united in one syndicate regulating production and price.

In Belgium the sales for all the factories are apportioned and are made through one selling office.

In England one very important manufacturer controls the market, the smaller factories working in accord.

These various manufacturing powers in Europe have combined into one strong international syndicate, in order to regulate and divide among themselves the world's markets. They assign certain markets to such manufacturers as through their geographical location have the greatest facility for providing for the same; they prevent the buyers, by means of what is called "premium of fidelity" and also by a "black-list system," from disturbing the rules imposed by the syndicate; and they also regulate the production in such a way that it does not unreasonably exceed the consumption. The statistics given above illustrate to what extent the production is reduced below the productive capacity in order to adjust it to the consumption.

Prices are established by decision of the European international syndicate, and in this way all the markets of the world are governed for the interest of these associated manufacturers.

(*c*) *The United States a "dumping ground" for the surplus product of Europe.*

Only the United States is left outside of this protecting combination, for the reason that the American plate-glass industry has not been able, up to this time, to export and make cooperation valuable to the powerful European organization. This market is therefore considered a desirable "dumping ground" for the surplus of European production, and exceptionally low prices are made by the foreign manfacturers for glass intended for the United States. For example, the present European price for polished plate glass, cut to size, is for the United States 40 per cent and 5 per cent discount from a certain price list; for England 10 per cent discount from the same price list, which means a difference in price of 58 per cent.

European discounts for stock sizes of polished plate glass are, for the United States, 30 per cent off the list; for England, 5 per cent off the same list, which shows a difference of 36 per cent.

A comparison between prices for polished plate glass in France and those quoted for glass intended for the United States market makes still more evident the aggressive policy directed by the foreign manufacturers against this country. Exact figures can not be given, because the basic tariffs are different; but, on an average, it is safe to state that polished plate glass is sold in France at least 100 per cent higher than if shipped to this country.

The effect of this policy upon our home industry is clearly shown by the following official figures of imports of polished plate glass into the United States for the first 10 months of the last 3 years:

	Square feet.
1898	368,797
1899	716,632
1900	1,590,350

The months of November and December of the present year, during which time much larger quantities have been imported into this country than during the same months of the previous years, will show a considerably larger proportionate increase, entirely due to the fact that the foreign selling prices for this country, used as a "dumping ground," are not limited by their cost. Having well-paying markets elsewhere, they can easily afford, and even find it profitable, to dispose of the overflow of their production on the United States market at a price below their average cost.

ANSWERS TO CHARGES OF MR. FRED. G. ELLIOTT AND MR. GEORGE H. MAYER.

At the hearing before this commission on Thursday, the 19th instant, testimony was given by Mr. Elliott and Mr. Mayer which was incorrect and which I desire to answer.

(*a*) *Origin of classification of preferential buyers.*

It was said that the Pittsburg Plate Glass Company originated the distinction between "A" and "B" buyers; that this was a part of this company's programme, and that that distinction involved an unjust difference between the preferential prices. I think it desirable that the commission should understand that this company did not originate the classification of buyers. Many years before the consolidation of our company it was the custom for the manufacturers to sell their product to certain large buyers (who were designated "A" buyers), and these buyers in turn recognized a certain class of buyers who did business on a smaller scale and to whom the "A" buyers made preferential prices. These latter were designated "B" buyers. The classification of "A" and "B" buyers was founded upon just considerations. The "A" buyers carried large stocks of glass at their own risk and at a considerable capital investment. The "B" buyers did a hand-to-mouth business, involving little risk and practically no investment.

(*b*) *Reasons for the Pittsburg Plate Glass Company's embarking in the jobbing business.*

The "A" buyers organized themselves into an association called the "National Plate Glass Jobbers' Association." This association regulated prices to the consumer and to a large extent fixed the prices which they would pay to the manufacturer. This association was in existence in May, 1895, when the Pittsburg Plate Glass Company and several other manufacturers consolidated their factories. Our company, when the consolidation took place, had no idea of marketing its own product, but the demands of the jobbers' association became so objectionable that we decided to market our product through our own warehouses. The jobbers' association had demanded that our company should not sell stock sizes to any jobber outside of the association. Subsequently they modified this to the extent that we should not sell stock sizes to any jobber who did not carry at least 50,000 feet of stock. In other words, their demand was that we should discriminate against jobbers outside of their association. This was the immediate reason for our going into the jobbing business, though it was expected that for economic reasons we would ultimately do so.

Incidentally, to show the nature of this jobbers' association, I wish to quote one of their resolutions, which is as follows: "That we will not offer or sell, directly or indirectly, any plate glass or other glass in connection therewith, under any circumstances, at a lower price or on any other terms and conditions than those specified by the National Plate Glass Jobbers' Association."

Having decided to throw off the yoke of the jobbers' association, it was, however, decided that we should not antagonize the jobbers, and we had no disposition to crush them out of the business. Notwithstanding that the Pittsburg Plate Glass

Company has been called a monopoly, we do not deem it possible or desirable to absolutely control the manufacture or distribution of plate glass. At that time I called a meeting of the jobbers at Pittsburg and announced our company's policy to market its own product, at the same time announcing that we did not intend to slaughter prices, but, in view of the fact that the jobbers had large stocks of glass which they had purchased from us and other factories, and that, as some of them had been good customers of our company, we would sustain prices until they could dispose of their stocks on hand. I also announced that our attitude toward the jobbers would be friendly, and I now state that these promises have been consistently carried out. The only jobbers that I know of that went out of business were those who sold out to this company and who became associated in it as officers or managers of branch houses of this company. Outside of them I know of no other jobber of plate glass of any importance who has gone out of the business, but they are all making good legitimate profits upon their glass business. The jobbers' association referred to has ceased to exist, but there has been organized the American Plate Glass Association, of which the "A" jobbers throughout the country are members. These members obtain their glass from the manufacturers who are independent of this company, to wit: The Penn Plate Glass Company, the Standard Plate Glass Company, and the Edward Ford Plate Glass Company; but they also obtain their "shorts," or glass which can not conveniently be supplied by outside companies, from the Pittsburg Plate Glass Company. That association of jobbers was willing to purchase all their glass from American manufacturers, provided the manufacturers would allow them certain preferential prices, and pursuant thereto that association at a recent meeting passed a resolution that the jobbers should not import any plate glass.

It was charged at the hearing on the 19th, above referred to, that this company had sent out to all the jobbers throughout the country a certain letter arbitrarily prohibiting the jobbers from importing glass. In answer to this, I wish to say that there are 91 recognized "A" and "B" jobbers in the country, and that the letter referred to was sent to three of them only; those three being located in Philadelphia. The letter was not a demand by the plate glass company or by the manufacturers, but was intended simply to call the attention of the jobbers to the fact that the jobbers' promise not to import was being broken, and to call to their attention the resolution not to import which was passed by the jobbers themselves.

It was charged that the local jobbers were obliged to buy their glass from the Pittsburg Plate Glass Company, and that if they did not do so the latter company would cut them off from certain sizes of glass that they could not obtain from the independent companies. In reply to this I wish to say that the Pittsburg Plate Glass Company has never refused to fill any orders from anyone with good credit.

Again, they said that they could import glass at a profit, but did not do so for fear this company would reduce prices and make the foreign venture unprofitable. It does seem as if what they really fear is legitimate competition. It can hardly be said that such procedure would be a stifling of competition.

(c) *Advance in prices reasonable, not excessive.*

As a preface to the discussion of advance in prices[1] it should be stated that plate-glass prices are based upon the size of the plates; that about two-thirds of the entire American product is in sizes less than 10 square feet; and that about two-thirds of the glass under 10 square feet is not sold at a discount, but is sold at foot prices, and is sold at an actual loss to the manufacturer.

It is manifestly unfair to select certain sizes and show the advance upon them only. The average advance per foot on all sizes is the only true method of showing the increase in prices. Again, the increase complained of is based upon the occasional, not the prevailing prices, which were made for a short period only when competition in the business, owing to overproduction, was the worst since the organization of our company. The advance from such extremely low prices was perfectly legitimate.

Another reason for the advance in prices was the fact that the raw materials required to produce plate glass greatly increased in price, e. g.: Soda ash, 94 per cent; salt cake, 78 per cent; arsenic, 19 per cent; charcoal, 20 per cent; lumber, 110 per cent; plaster, 33 per cent; copperas, 79 per cent; salt, 119 per cent; emery, 11 per cent; paper, 38 per cent; melting sand, 25 per cent.

In addition to this, the cost of manufacture has been increased owing to the gradual diminution of the supply of natural gas and the substitution therefor of coal; this refers to the factories that have used natural gas. Some of our factories have always used coal exclusively, and there has been a large increase in the cost of coal. The average increase in raw materials is about 85 per cent.

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[1] See pp. 220, 221.

There has also been an increase in the wages of labor.

I wish to say further, in regard to prices, that they have fluctuated for the reason that the growth of consumption of plate glass is slow and steady, while the growth of the productive capacity has been spasmodic; but the general tendency of prices has been downward ever since the inception of the industry in this country, except the last period, when prices were increased as above explained.

(*d*) *Comparison of selling prices.*

The following table shows the prices at periods of five years from 1875 to date:

	1875.	1880.	1885.	1890.	1895.	1900.
1 to 3 feet	$0.71	$0.51	$0.46	$0.40	$0.30	$0.31
3 to 5 feet	.84	.61	.55	.48	.36	.38
5 to 10 feet	1.12	.80	.72	.64	.48	.60
10 to 25 feet	1.49	1.06	.96	.85	.63	.81
25 to 50 feet	1.56	1.11	1.01	.89	.66	.85
50 to 100 feet	1.69	1.21	1.09	.97	.72	.90

It is true that during 1897, which was an exceptional period, when the business was in its most demoralized condition, that prices were very low, and that a considerable advance thereon has been made; but the actual cash returns received by this company show that the average advance of glass from that period has been only from 50 to 60 per cent, and not 150 per cent, as alleged. This is computed upon the entire sales of all sizes of plate glass. Some of the preferential buyers are now buying certain sizes of plate glass at prices lower than before the industrial revival of 1898.

TARIFF IN THE UNITED STATES.

The following is the tariff on plate glass under the McKinley, Wilson, and Dingley bills:

	McKinley.	Wilson.	Dingley.
	Cents.	*Cents.*	*Cents.*
Up to 16 by 24 inches	5	5	8
16 by 24 to 24 by 30 inches	8	8	10
24 by 30 to 24 by 60 inches	25	22½	22½
All above 24 by 60 inches	50	35	35

It will be noted from the above that the first bracket was increased 3 cents and the second bracket 2 cents, which two brackets are now being sold at less than cost of production, and the third and fourth brackets decreased 2½ cents and 15 cents, respectively.

The management of this company has always favored reasonable tariff duties. At a hearing before the Ways and Means Committee when the Dingley bill was being formulated, January 8, 1897, I said:

"We come to you as business men, appreciating that the best interests of the country demand that the new tariff bill shall be a conservative one, and we are in favor of a measure that will stand the test of time and retain the support of the country; and for that reason we do not ask for a restoration of the old tariff, the McKinley bill having made no material change in the previous tariff, which had existed for years."

PROFITS AND DIVIDENDS.

The general belief is that the profits of our company have been very much larger than they actually are. This has resulted in 4 new factories being projected, which are now in the course of construction and which will probably be completed during next year. From the present outlook it would seem that in the course of a year or two there will be a repetition of the condition above referred to which resulted from overproduction. The profits are not excessive in view of the vicissitudes of the manufacturing business and the changes that are made necessary in the way of new methods, new machinery, etc., which require a very considerable expenditure of earnings.

For several years prior to the consolidation which took place in 1895, there was absolutely no profit in the plate-glass business. The new glass factories which had been built a few years prior to the consolidation had made no profits whatever and paid no dividends. From the time of the consolidation up to our last annual report at the beginning of the present year, the average earnings of this company have been about 9¼ per cent; no dividends were paid until 1899, and the profits up to that time were used for the payment of the company's debt and the extension of its business.

It will be seen that the percentage of profit (if the surplus which had accumulated before any dividends were paid be taken into account) will be much less than the percentage named. This company began paying dividends in January, 1899, and paid 5 per cent during that year, and has paid at the rate of 6 per cent during the present year.

In verification of this I submit herewith the annual statement of our company:

ANNUAL STATEMENT OF THE PITTSBURG PLATE GLASS COMPANY.

December 31, 1899.

Assets:				
Investment			$11,504,288.79	
Stocks of finished glass		$1,411,671.62		
Material and working accounts		556,257.82		
Cash, bills and accounts receivable, being quick assets		1,930,001.85		
			3,897,931.29	
Liabilities:				
Capital stock				$10,000,000.00
Bonded debt				747,000.00
Bills and accounts payable				837,260.71
Surplus January 1, 1899		2,489,645.47		
Profit, 1899	$1,838,805.90			
Less dividends	510,492.00			
Passed to surplus		1,328,313.90		3,817,959.37
			15,402,220.08	15,402,220.08

WAGES.

The following is a statement of the wages paid in the American and Belgian factories, respectively, for similar services. The Belgian figures have been obtained within the present month by our European representative. The American figures also are those paid at the present time:

Comparison of American and Belgian rates of wages, December, 1900.

	American rate per month, 30 days.	Belgian rate per month, 30 days.	Per cent American higher than Belgian.
Casting department:			
Foremen	$150.00	$96.50	55
Finishers	92.10	28.95	218
Melters	82.50	28.95	185
Skimmers	70.50	28.95	144
Stowers	70.50	28.95	144
Furnace cleaners	60.00	20.26	196
Kiln dressers	69.00	20.26	241
Casting and drawing	57.00	20.26	181
Cutters	86.40	20.26	326
Fillers	57.00	20.26	181
Bookers	57.00	20.26	181
Teamers	90.00	28.95	211
Kiln heaters	54.00	17.37	211
Grinding department:			
Foremen, day	121.20	28.95	318
Foremen, night	121.20	28.95	318
First grinders	82.80	23.16	257
Second grinders	68.40	23.16	195
First layers	99.00	23.16	327
Second layers	68.40	9.65	609
Canal men	52.20	20.26	158
Sand-pit men	52.20	20.26	158
Matchers	71.00	20.26	250
Sand wheelers	52.20	20.26	158

Comparison of American and Belgian rates of wages, December, 1900—Continued.

	American rate per month, 30 days.	Belgian rate per month, 30 days.	Per cent American higher than Belgian.
Polishing department:			
Foremen, day	121.20	34.74	250
Foremen, night	121.20	34.74	250
First layers	111.60	23.16	382
Second layers	95.76	23.16	313
Third layers	90.00	23.16	289
Fourth layers	79.36	23.16	243
Mixers	78.12	17.37	350
Plaster wheelers	45.00	20.26	122
Matchers	72.00	20.26	255
Finishers	54.72	20.26	170
Bench boys	39.60	8.40	371
Warehouse:			
Foreman	150.00	40.00	275
Examiners	75.00	20.26	270
Cutters	67.50	20.26	233
Gang men	42.00	17.37	141
Blockers	45.00	17.37	159
Glass washers	37.50	17.37	116
Frames:			
Foremen	80.00	30.00	166
Examiners	60.00	28.95	108
Cutters	63.00	28.95	180
Gang men	60.00	20.24	196
Emery department:			
Washer	60.00	34.74	73
Washer, helper	50.00	17.37	187
Machinery department:			
Foremen	150.00	43.42	245
Engineers	63.00	25.50	147
Machinists	97.50	26.05	274
Carpenters	80.00	23.16	245
Bricklayers	90.00	23.16	289
Laborers	37.50	17.37	116
Pipe fitters	67.50	24.00	181
Blacksmith	79.50	24.12	230
Blacksmith, help	45.00	17.37	159
Boiler men	60.00	25.50	135
Pot department:			
Foremen	90.00	28.95	211
Pot makers	70.50	28.95	144
Trampers	51.10	18.33	179
Gas producers:			
Foreman	85.00	28.95	194

GENERAL STATEMENT OF AVERAGE WAGES IN BELGIUM, ENGLAND, AND THE UNITED STATES.

Q. (By Mr. Farquhar.) Up to what year is that tabulation made?—A. These are the present wages paid in Belgium and in the United States.

Q. (By Mr. Litchman.) Would it not be well, Mr. Chairman, to have the witness summarize these prices without reading the table?—A. I will leave the table here. It can be read at your leisure. I might say that the average wages paid to labor in the United States are about 200 per cent higher than in England and about 300 per cent higher than in Belgium.

NO PREFERENTIAL RATE HAS BEEN SECURED IN THE PURCHASE OF WINDOW GLASS.

Q. You speak of using window glass in connection with your product. Is there any arrangement between your company and the American Window Glass Company by which you obtain this glass?—A. We have no arrangement whatever. We are simply the largest customers of the American Window Glass Company. We purchase just as any other jobbers of window glass purchase. We do not manufacture window glass ourselves.

Q. You have no preferential rate over other jobbers by reason of being a larger purchaser?—A. No; none whatever.

Q. You simply buy as any other purchaser?—A. We have thought that we should have a preferential rate, that being such large purchasers they could afford to sell us at a less rate, but they have never done so. We pay the same prices that are paid by other jobbers.

SIZES OF PLATE GLASS SOLD WITHOUT PROFIT AND AT A LOSS.

Q. What are the sizes of glass, by their trade names, that are produced by your company at a loss?—A. About two-thirds of our product is sold in sizes under 10 square feet and without profit. Furthermore, a very large part of this two-thirds is sold at a large loss.

Q. Will you explain a little more in detail why this is so?—A. During the past 2 or 3 years we have increased the sale of small sizes very materially by replacing what is known as German plates, which is a blown glass, ground and polished, and which was sold very largely in this country for use in cheap furniture. We have been taking a large part of this trade, and in order to do so have been obliged to sell cast polished plate glass of the same size as the German plates at a price much below the total cost of manufacture. We have figured that in taking this business we would not increase our general expenses and cost of distribution at all, and that if we could get the bare cost of materials and labor entering into its production we could afford to take it, temporarily at least, to keep our works running and our men employed; but if this business is considered on the same basis as our business as a whole, bearing its full share of the general expenses and cost of distribution, then it is done at a loss of from 10 to 15 cents per foot.

Q. You mean this was in competition with imported glass?—A. Yes; in competition with imported glass.

Q. This was glass known as silvered glass?—A. No; this glass is known as German looking-glass plates, is silvered in this country, and used in cheap furniture. Therefore, we have been and are giving the furniture factories plate glass which is very much better than German plates at the same price.

DUTY ON SMALL SIZES OF PLATE GLASS DOES NOT PROTECT THE AMERICAN MANUFACTURER.

Q. Is there a duty upon this German glass to which you refer?—A. Yes; the duty is 4 cents per foot up to 16 by 24 inches, and 6 cents per foot above 16 by 24 inches and not exceeding 24 by 30 inches.

Q. Is the cost of manufacture of the kind of glass with which you compete with this imported glass greater than the cost of the glass in Europe plus the duty?—A. Yes; they pay the duty and still make a profit, and we have been obliged to reduce the selling price of that glass within the past few months, thus increasing our loss.

Q. So that on that quality of glass the duty does not protect to the point of cost in America?—A. No; it does not protect on the small sizes of plate glass which we produce to compete with that quality.

PROFITS AND DISTRIBUTION OF EARNINGS OF THE PITTSBURG PLATE GLASS COMPANY.

Q. Your balance sheet shows your profit for 1899 was $1,838,805.90?—A. Yes.

Q. And that your capital stock was $10,000,000?—A. Yes.

Q. On the face of it, would not that show a profit in your business of some 18 per cent?—A. Yes, for the 1 year; but if you take the period of 5 years from the date of consolidation the average profit is 9¼ per cent. The profits for this year will be large, possibly equal to last year, but in 1 or 2 years hence there may be no profit.

Q. As a matter of sound business policy, do you divide only a portion of your earnings, reserving the balance to provide for just such a contingency?—A. Yes; that has been the policy of our company, as you will see by our methods which I have explained. The policy of our company is more conservative than the generality of corporations of our size. The Belgium factories paid very large dividends some years ago, as high as 30 and 32 per cent, and made large profits. The result was an overproduction, so that the industry in Europe is very much depressed at the present time.

INCREASE IN THE WAGES PAID BY THE PITTSBURG PLATE GLASS COMPANY.

Q. Can you give any comparison of wages covering a period of, say, 10 years?—A. Comparing the wages that are paid to-day with the wages paid by the Pittsburg Plate Glass Company in 1893, the increase has been 20 per cent; but if you compare the wages we are paying to-day with the wages that were paid by other plate glass works, the increase has been 24.6 per cent. The Pittsburg Plate Glass Company, even in the times of greatest depression, did not reduce its wages as much as other companies. The last advance was made May 1, 1899, and was a 5 per cent increase. In addition to this, we established a gratuity fund of 2½ per cent; and this increase before mentioned of 20 and 24.6 per cent, respectively, does not include the 2½ per cent gratuity fund.

GRATUITY FUND ESTABLISHED FOR THE BENEFIT OF EMPLOYEES.

Q. Explain the gratuity fund, please.—A. For the purpose of establishing closer relations with our employees, we have what we call "the employees' gratuity fund." The company places to the credit of every factory employee at the end of the month a sum equal to 2½ per cent upon the previous month's wages. This fund accumulates and 6 per cent interest is allowed and credited thereon. The fund may be withdrawn semi-annually by employees after 2 years of continuous service, or it may be allowed to remain, in which case 8 per cent interest is allowed and credited semi-annually. In the event of death of the employee or of his wife or his child, the fund may be withdrawn immediately and without notice. The credits may be forfeited by an employee voluntarily leaving the service of the company without giving 30 days' notice, or by his being dishonorably discharged.

RELATION OF THE TARIFF TO WAGES.

Q. Are the workmen mostly employed by the day or week, or by the piece, in the plate-glass business?—A. Mostly by the day.

Q. You say the pot makers in Belgium get $28.95 a month? I will take one class of work as typical of the others.—A. Yes.

Q. In the American factories $70.50 a month?—A. Yes.

Q. How large a proportion of the cost of the product is the labor cost of production?—A. About 48 per cent of the cost of manufacture.

Q. If there were any material reduction in the tariff on your goods, where would you have to apply the reduction in the cost of production?—A. It would be necessary to have a reduction in the cost of labor.

NO ORGANIZATION OF LABOR IN THE PLATE GLASS INDUSTRY.

Q. Is there, so far as you know, an organization among the plate glass workers?—A. There is not. The plate-glass industry has not had labor organizations in this country or in Europe. I think most of the other branches of the glass trade have labor organizations.

Q. Would you have any objection to the organization of the workingmen, if conservatively managed and conducted?—A. No.

Q. Would there be any objection on the part of your organization to confer with such an organization on trade matters?—A. No. We have never been asked to confer. If the matter should ever come up we would have to decide in the light of circumstances and conditions at the time.

Q. Is the fact that there is no organization due to any indisposition manifested on your part, or on the part of your organization, that such should exist?—A. Our men seem to be satisfied. They are well treated, and they have never seen the necessity for an organization. In any company employing so large a number of men as we do there are sure to be some malcontents and disturbers, but we have been fortunate in the fact that the large majority of our men have not allowed themselves to be led or unduly influenced by men of this class.

Q. Then it is a question that has never been considered at all?—A. No.

Q. (By Mr. FARQUHAR.) In this matter of wages you deal with the men individually, then?—A. Yes.

WAGES PAID ARE UNIFORM—COMPANY HAS VOLUNTARILY INCREASED WAGES.

Q. Is there much difference in the wages paid in the different sections where your works are operated?—A. No; we pay practically uniform wages.

Q. Have your wages in any way assumed the form of the sliding scale relative to the prices of your goods?—A. No. In good times we increase the wages. The tendency in good times is to increase and in poor times to reduce wages. Of course, we are obliged to economize in every way in poor times.

Q. Have the men ever solicited an increase in wages, or is it simply voluntary on your part?—A. It has been voluntary on our part.

Q. As a business man do you think the workingman participates in the tariff that protects you?—A. Unquestionably. But for the tariff there could be no plate-glass industry in this country.

COMPANY ORGANIZED UNDER PENNSYLVANIA LAW AND STOCK OPEN TO PUBLIC PURCHASE.

Q. Under what State law is your company incorporated?—A. Under that of the state of Pennsylvania.

Q. Is your stock open for public purchase, or is it held in the hands of the original investors?—A. A large part of it has passed from the hands of the original investors

and is distributed throughout the country, and may be purchased on the Pittsburg Stock Exchange by any person desiring to do so. We have about 600 stockholders, and no agreement or restriction of any kind has ever existed in regard to the free purchase or sale of the stock.

MARKET PRICE AND SALE OF STOCK—PROFITS AND DIVIDENDS.

Q. What is the market price of your stock?—A. The present market price is about $161 per share.

Q. Is it listed on the New York market?—A. No; it is not listed at all, but is bought and sold on the Pittsburg Stock Exchange.

Q. One hundred dollar shares?—A. Yes; the par value is $100 per share.

Q. You made the statement that in 5 years 9¼ per cent was the average profit?—A. Yes.

Q. And in 1899 the dividend was 5 per cent?—A. Yes.

Q. And the last one was 6 per cent?—A. The present year was 6 per cent; yes.

DISTRIBUTION OF EARNINGS IN THE YEAR 1899.

Q. You made the statement that your profit was $1,838,805.90?—A. Yes, for 1899.

Q. And taking out the dividends, $510,492, there passes to your surplus account $1,328,313.90?—A. Yes.

Q. Now, did you reduce the bonded debt that year or either of the years?—A. Yes; we paid it off.

Q. You applied part of your profits to the reduction of the bonded debt?—A. Yes.

Q. Making your profits seem less?—A. Oh, no.

Q. Probably you do not understand my question. Is it not shown in this statement that a part of your profit has been used up in betterments and taking up bonds, and that does not appear as an actual surplus for a dividend?—A. Part of our earnings were applied to the reduction of the bonded debt and part used in establishing our jobbing warehouses. The earnings used for these purposes appear in our surplus account.

Q. How much of your profits during the last few years have entered into the betterments of your plants?—A. The idea is to keep up our plants—not to let them deteriorate in value, but to keep them up to the amount represented in our books as "Investment account."

SMALL DIVIDENDS ARE PAID—EARNINGS LARGELY USED TO EXTEND THE JOBBING BUSINESS.

Q. Your dividends are remarkably small for your capitalization and the business you are doing?—A. Yes.

Q. Along what lines have these profits been expended—in the reduction of the bonded debt or in the betterment of property, or in what way? That does not apparently show on the face of this statement.—A. Well, everything shows in this statement. We conceal nothing. The money we have earned has gone largely into our jobbing business. We require more capital, and we have not distributed all the earnings to our stockholders because we require a large working capital for our jobbing business.

Q. That is the question I wanted to get at—whether the earnings were used for betterments of buildings or in extending this other line of distribution?—A. Largely in the jobbing business.

Q. So that practically your dividends, had you not gone into this extension, would have been a great deal larger than 5 and 6 per cent?—A. Yes. Had we turned over all our profits to our stockholders they would have received 9¼ per cent from the time of our consolidation.

DUQUESNE FACTORY SOLD BECAUSE IT WAS NOT NEEDED.

Q. You mention incidentally in the report the matter of the Duquesne factory. Did you raze that, sell it out, or abolish it?—A. At the particular time we sold that plant there was a productive capacity in excess of the requirements of the country. It was adjoining property to that owned by the Carnegie Steel Company; they gave us a very good price for the property, and it was considered to the interests of our company to dispose of it.

Q. In other words, you had sufficient capacity for output independent of the Duquesne works?—A. Yes.

UNTRUE STATEMENTS CONCERNING THE INCREASE IN PRICES—THE COMPANY'S MANAGEMENT.

A. (Continuing.) With regard to the exaggerated statements that have been made concerning the advance in prices, which have been published in the papers throughout the country as being from 125 per cent to 172 per cent, together with the statement that there has been no advance in the cost of manufacture or of labor—the absurdity of these statements is evident from the facts I have given you this morning. Assuming that our sales of plate glass amounted to $7,000,000 per annum, such a condition would show a profit of about $10,000,000 per year.

Q. If your report were so itemized as to show where the profits had gone, it would answer a great many of these published questions that are being asked about all combinations.—A. A comparison of our annual reports will show that. We issue them every year. We give to the stockholders all the information that they are entitled to have. We annually make a statement and give them a balance sheet such as I have submitted to-day. That is one reason why our stockholders have confidence in the management. They believe it is an honestly managed company.

Q. In what year did you commence the distribution of your product?—A. Our consolidation was in 1895 and we commenced the distribution of our product in 1896.

DISTRIBUTION OF PRODUCT—ELIMINATION OF THE MIDDLEMAN.

Q. (By Mr. Litchman.) Suppose you were going to start a new glass works, how long would it take you to build a plant, equip it, and commence to deliver the finished product?—A. About two years.

Q. (By Mr. Farquhar.) Previous to going into your joint company had any of the concerns which entered into this consolidation used the plan of distributing their product through their own warehouses?—A. No; we were the first to take up the question of selling the product direct to the consumer.

Q. Did you, in bringing about this practice, endeavor to establish an economy in your distribution as between the manufacturer and consumer by cutting out the middleman, or was it a mere change in handling credits and collections?—A. Manufacturing industries are very often at the mercy of middlemen. The middlemen fix the prices at which they sell the product, and frequently the jobber makes a profit when the manufacturer has no profit whatever. We decided that it would be to our interest to distribute our own product. The risks of the manufacturer are greater than the risks of the jobber. The factory is subject to changes by new methods. The methods that would hold good to-day in a year or two may be obsolete, requiring new machinery. The jobber is not subject to these conditions. We found, too, that the profits of the jobber are larger than the profits of the manufacturer. We are now in both branches of the business, and I may say that for the amount of capital invested the jobber has the larger profit.

Q. Has the consumer received any practical advantage through your new means of distribution?—A. We make a jobbing profit; we do not give it all to the consumer. The consumer is certainly not worse off by the fact of our distributing our product.

Q. Is he not better off?—A. Yes.

Q. How much?—A. We are satisfied with a reasonable profit for the capital invested in the jobbing business.

Q. You would say that through your means of distribution you have cut the profits that were originally made by the jobber?—A. I think we are satisfied with a less profit than the jobber considered his due.

WHY THE PITTSBURG PLATE GLASS COMPANY DECIDED TO DISTRIBUTE ITS OWN PRODUCT.

Q. You say that your system of distribution arose a great deal from the action of 2 bodies of jobbers—the National Plate Glass Jobbers' Association and the American Plate Glass Association, the members of the latter being purchasers from so-called independent factories. Now, did either of those associations impose upon your glass terms as to commissions, as to the proper distribution of profits for themselves, or as to rules and regulations in selling and distributing the goods?—A. No; not since we went into the jobbing business.

Q. You do not make that claim—that they did?—A. No.

Q. That it was really an economic reason that made you go into distribution and sale?—A. Yes.

Q. And it was not any oppression on the part of those two associations?—A. The oppression was by the National Plate Glass Jobbers' Association, and it was prior to our going into the jobbing business. It was not only economic reasons, but also the fact that they controlled the product and made regulations in the distribution of our product that we were not willing to accept.

Q. Was there not some method of cooperation in making these prices between you and those jobbers' associations?—A. No; we had to sell our product to the jobbers in competition with the independent factories. The jobbers practically named the prices they would pay us, so that when we were making no profit the jobbers were making a large profit.

THE CONTROL OF PRODUCTION AND OF PRICES.

Q. Out of the entire output of plate glass in this country, how much does your organization control?—A. We control only that which we produce, which is about 72½ per cent of the production of the country. There has been an increase in production recently owing to the starting up of the works of the Edward Ford Plate Glass Company.

Q. Are you able to establish the prices for plate glass in this country independent of foreign importations and the competition, of course, of the independent companies?—A. No; we are not.

Q. You would not say you are able to arbitrarily make prices for American plate glass?—A. Emphatically, no.

Q. Does the 27½ per cent that is in competition with you in manufacture and the excess product that is sent from Europe here and sold at lower rates control your prices in any way?—A. Yes. I might say, in reply to your question, that we were able by the destruction by fire of the Penn Plate Glass Works at Irwin, Pa., to advance prices. We are able at the present time to maintain prices because the supply and demand are more closely adjusted than they have been for several years. Our company produces such a large percentage of glass that under these favorable conditions of production and consumption we fix our selling prices, and the outside companies follow us.

Q. Always within, of course, the line of competition of the 27½ per cent manufactured here and the imported article?—A. Yes.

RELATION OF THE PITTSBURG COMPANY'S JOBBING BUSINESS TO THE PAINT AND BRUSH TRADE.

Q. (By Mr. LITCHMAN.) Do you consider that the establishment of a jobbing business is a legitimate part of the distribution of your product?—A. Yes; I do.

Q. Was this business entered by you for the purpose of having a means of coercion upon the paint and glass trade that formerly distributed the products?—A. No; not at all; not in any way. We propose to do a legitimate business, and we added the sale of window glass and paints for the reasons I have given.

Q. Supposing your company were to bid for the contract on a large building, would you be able to charge against the paint-and-brush part of the contract any loss made on the bid on the glass?—A. That would be entirely foreign to our principles of doing business. Each branch is supposed to stand upon its own footing. No such idea has been suggested or talked of or thought of by our company. It simply originated in the imagination of the gentlemen in the paint business in this city, who think that they may be injured by our company's competition. Paints and brushes are never sold in connection with glass in that manner. Painting contractors sometimes contract to paint and glaze buildings, but we do not take painting contracts.

THE AMERICAN AND THE NATIONAL PLATE GLASS ASSOCIATIONS.

Q. You spoke of the combination known, if I remember correctly, as the American Jobbers' Association?—A. Yes.

Q. Did that represent also men engaged in the paint and oil trade?—A. Yes; not all. Many are in the paint and oil trade.

Q. That combination fixed the price at which plate glass was sold to the consumers?—A. They fixed the price at which they sold.

Q. I understand you also to state that they fixed the price that you were compelled to sell at?—A. I think not. You are evidently referring to the National Plate Glass Jobbers' Association. That association did fix the prices, but it has now ceased to exist. If you desire information as to the commercial part of our business, Mr. Heroy, the chairman of our commercial department, is present, and he can give you more definite information than I can as to prices. He is entirely familiar with that branch of the business.

JOBBING BUSINESS OF THE PITTSBURG COMPANY.

Q. You believe that your jobbing business is a necessary adjunct to your manufacturing business?—A. Yes.

Q. A legitimate business for you to engage in?—A. Entirely so.

Q. And its main effect is the elimination of the middleman?—A. Yes.

Q. And ultimately the consumer must receive the benefit?—A. Yes.

DOMESTIC AND FOREIGN WAGES—TARIFF DOES NOT PROTECT ON SMALL SIZES OF GLASS.

Q. (By Mr. FARQUHAR.) You stated that the wages in America were 200 per cent higher than in England?—A. Yes; about.

Q. And 300 per cent higher than in the rest of Europe?—A. Than in Belgium. Belgium is our chief competitor. They are the largest producers of plate glass in Europe.

Q. Does the tariff imposed in this country equalize wages and guarantee a protection to your business?—A. It does on the large sizes, but it does not on small sizes. One independent factory that is now being built is for the manufacture of small sizes, and I do not believe they can profitably compete with foreign glass at the present price.

Q. (By Mr. LITCHMAN.) Was there or is there any arrangement between the Pittsburg Plate Glass Company and dealers in paints, oils, and brushes in any part of the country for the handling of your goods?—A. Yes; we sell to the dealers in paints, oils, and drugs; we sell to any person.

GRATUITY FUND FOR EMPLOYEES IS DESIGNED TO REWARD FAITHFUL SERVICE.

Q. (By Mr. KENNEDY.) I want to ask you about this gratuity fund. Is that intended to permit employees to share in the profits of the industry?—A. It is a reward for faithful services and to men who have been long in our service; it is an entirely voluntary act on our part.

Q. Is it a specified fund that they shall receive on account of services?—A. It is a certain percentage on wages.

LOCATION OF THE PLANTS OF THE PITTSBURG COMPANY—THE COMPANY'S NAME AND ITS HEADQUARTERS.

Q. How near to Pittsburg is any one of your mills?—A. The nearest is Creighton, 20 miles from Pittsburg, on the Allegheny River. The Walton factory is 23 miles from Pittsburg, on the Monongahela River, and the Tarentum factory is on the Allegheny River, 21 miles above Pittsburg. Ford City is on the Allegheny River, 40 miles above Pittsburg, and the Charleroi works are located on the Monongahela River, 40 miles south of Pittsburg.

Q. There is no local significance in the name of this organization of yours. It might as well be called the Columbus or the Anderson?—A. It was named so simply because the largest factories were in the vicinity of Pittsburg. There is no other significance in the name.

Q. The headquarters are not in Pittsburg?—A. Yes; the principal office is in Pittsburg.

NUMBER OF PERSONS EMPLOYED IN THE PLATE-GLASS INDUSTRY.

Q. Did you state how many persons were employed in the plate-glass industry in the United States?—A. About 10,000 persons. That does not include all those who are engaged in mining coal and producing other raw materials that are used in the manufacture of glass.

NATIONALITY OF EMPLOYEES—COMPARATIVE VALUE OF AMERICAN AND FOREIGN LABOR.

Q. What is the percentage of native Americans employed in the industry?—A. Well, I would say 75 per cent; perhaps 66 per cent would be conservative. In starting the industry we were obliged to get foreign workmen who were familiar with the manufacture, but we prefer American workmen, and but very few foreign workmen come to us now. We find the American workmen more steady, and it does not require a great length of time, as I have stated before, to acquire a knowledge of the

business. It does not require the same mechanical skill that is required, for instance, in the window glass business or other branches of the glass industry.

Q. After an American learns the trade is his productive capacity greater than that of the foreigner?—A. We find him more alert and more efficient than the European workmen.

Q. The alien contract labor law, which bars out contract labor, is no barrier to you in your business?—A. No; none whatever.

STOCK OF COMPANY OPEN TO PUBLIC SALE—COMPANY IS SIMILAR IN ORGANIZATION TO OTHER PENNSYLVANIA STOCK COMPANIES.

Q. (By Mr. Clarke.) Is the stock of your company in the hands of its owners, or is it in trust?—A. It is in the hands of the individual owners. We have no trust whatever. The Pittsburg Plate Glass Company is in no sense a trust.

Q. The public buys and sells without any prevention whatever on the part of the company?—A. Yes. In the consolidation we bought the properties outright and issued stock in payment therefor. We increased our stock and issued stock to the individual stockholders of the constituent companies.

Q. Is the company any different, therefore, from any other stock company organized under the laws of Pennsylvania?—A. There is no difference whatever.

Q. It is simply a larger concern than the several that entered into it?—A. Yes.

PITTSBURG COMPANY DID NOT ESTABLISH THE CLASSIFICATION OF BUYERS, AND DOES NOT REFUSE SALES.

Q. Has your company, in establishing A and B buyers, introduced anything new to the trade, or simply followed a custom which was established when your company was organized?—A. We did not establish the A and B buyers. That is a custom that has existed for very many years, and was established by the jobbers themselves long before we entered the jobbing business.

Q. Has your company ever refused to sell plate glass to anybody offering to buy it, provided they offered to buy the same quantity that you would sell on terms agreed upon with either class of buyers, the A or the B?—A. No.

Q. You consider that it is the right of any American citizen or company to buy of you on the same terms as either of these classes of buyers.—A. Yes. We would like to have them. We would like to have every citizen of the United States purchase glass from the Pittsburg Plate Glass Company.

UPON CONSOLIDATION ONLY GOOD PROPERTIES WERE PURCHASED AT ACTUAL CASH VALUES.

Q. (By Mr. Farquhar.) You stated that the properties were bought at actual cash values when you consolidated and incorporated in 1895?—A. Yes.

Q. Did the element of good will enter into this estimate of property at that time when they were taken over or consolidated?—A. No. Nothing was paid for good will, and the properties were taken at actual cash values. I said it delayed the consolidation for many months, but I might say for two or three years. I was unwilling to inflate the company and held out for actual values.

Q. Considering the date of the consolidation, did certain companies who were at that time weak in credit and almost insolvent become incorporated with your company?—A. No. They would have received nothing for their stock if they had come in on actual values, and therefore they did not come in, but they were saved from bankruptcy by what we did. Instead of crushing out competition the properties were saved and are running now.

Q. That is the point I want to lead up to—whether in making your consolidation you took in weak companies?—A. No; we did not take in weak companies. They are the companies with which we are now competing. They are the independent companies.

Q. Since your consolidation are these same companies that you have designated strong companies now in competition?—A. Yes. Before the consolidation we were all running at a loss, or some at a loss and others with no profit. The situation was becoming more and more acute, there being an excess of capacity. If the consolidation had been deferred another year or so some of the companies would probably have become insolvent, and been sold by the sheriff, which was actually the case with one company the year preceding.

PRICES OF THE PITTSBURG COMPANY AND THE INDEPENDENT COMPANIES.

Q. Are your prices and the prices of the independent companies the same to the consumer?—A. We do not regard the prices of the independent companies. We sell at what we believe to be a reasonable profit, and as to their selling price I can not answer.

Q. Is there any secret in the trade at all about the prices that you offer and they offer?—A. No; there is none whatever.

Q. (By Mr. CLARKE.) Do you think of any further statement that you wish to make?—A. Not at present.

(Testimony closed.)

PHILADELPHIA, PA., *December 22, 1900.*

TESTIMONY OF MR. W. W. HEROY,

Chairman Commercial Department, Pittsburg Plate Glass Company.

The special subcommission met at the Manufacturers' Club at 10.05 a.m., Mr. Clarke presiding. At 12 o'clock noon, Mr. W. W. Heroy, of New York City, chairman of the commercial department of the Pittsburg Plate Glass Company, was introduced as a witness, and, being duly affirmed, testified as follows:

Q. (By Mr. CLARKE.) Please give your name and post-office address.—A. W. W. Heroy, 62 Van Dam Street, New York City.

Q. What is your occupation?—A. I am connected with the Pittsburg Plate Glass Company.

Q. What is your position in the company?—A. Chairman of the commercial department.

Q. Do you have charge of any of their business except in New York City—that is to say, do you have supervision of selling arrangements in other cities as well as in New York?—A. I might say I am consulted in regard to selling arrangements.

Q. Will you tell us your exact relation toward the company and to the trade in reference to supplying the trade with the product of the company?—A. I am chairman of the commercial department, and as such preside at meetings of that department, where the géneral commercial policy of the company is discussed.

Q. Do you keep an office or a store in New York?—A. The Pittsburg Plate Glass Company has a warehouse in New York, and I make my headquarters at that warehouse.

Q. Do you have charge of that warehouse?—A. No; we have local managers in charge of it.

RESTRICTIONS AS TO THE PURCHASE OF GLASS BY DEALERS.

Q. Something has been said about the arrangements of A buyers and B buyers. Will you define what they are and what the arrangement is?—A. As near as I can remember, the designation dates back to 1890. A distinction was made between A buyers who were purchasers of stock sheets, or, you may say, the product as the factory manufactured it, and B buyers who did not carry stock, but had their orders executed by the different jobbers, and received a commission for the business.

Q. The A buyers, then, were jobbers and the B buyers were retailers in the broad sense?—A. We call the one jobbers and the other dealers.

Q. Did the B buyers in any instance then, or do they now, carry large sheets of glass and cut them to suit customers?—A. Not to any great extent. It is possible that they might have had a few sheets of glass in their warehouses.

Q. Is there anything in your arrangements with the trade or with the company to prevent any individual or company in this country from acquiring a quantity of your large sheets on the same terms as the A buyers, and dealing in glass of that form and quantity?—A. When we decided to distribute our own product, we cut loose from the buyers of stock sheets, because we wanted that glass for our own warehouses, but we did not refuse to sell anyone glass who wanted to buy it in cut sizes such as the ordinary trade demanded.

Q. Did you ever refuse to sell it in the large sizes for cutting?—A. No. I think you perhaps do not understand the conditions existing in the business.

Q. We wish you to be very explicit in regard to that.—A. I will be as explicit as I possibly can. A small dealer can buy large lights of glass if he wants to, and cut them up, but that is not generally the custom, because the carrying of a stock of

glass in order to have all sizes would require quite an extensive assortment, and a small stock would not be very profitable for a dealer to carry.

Q. Suppose he wants to carry it whether it is profitable or not, the question is whether he can do so?—A. If he wants to buy it in cut sizes, yes; any size he chooses to buy.

Q. Cut sizes or uncut sizes?—A. We do not sell it except in cut sizes.

Q. Have you refused to sell it in large sizes to any dealer?—A. No.

Q. Have you issued any circular to the trade in which you undertake to restrain the freedom of buyers in any way?—A. Not to the trade generally.

Q. Have you to the trade in particular?—A. Our president speaks of circulars referred to in his report.

Q. Are you familiar with the terms of that circular, or can you produce a copy of it?—A. I am not familiar with its wording.

Q. Do you know to whom it was addressed and what it contained?—A. It was addressed to three houses in this city.

Q. That is an answer to a part of the question, and the other part is, do you know what it contained?—A. The exact wording I can not repeat.

Q. Can you produce to the commission, either now or later, a copy of that circular?—A. That is something I would have to refer to the executive committee.

Q. From whom did the circular emanate?—A. It was sent out by our Philadelphia local manager.

Q. Who is he?—A. Mr. Seeley.

Q. What is his full name and post-office address?—A. Mr. H. E. Seeley, 1012 Filbert Street.

EXTENT OF MONOPOLY CONTROL POSSESSED.

Q. Is it a fact that the dealers in plate glass in this country are dependent upon the Pittsburg Plate Glass Company for their supply?—A. No.

Q. Are they able to obtain the quantities that they need and the sizes that they require from other American producers?—A. Oh, I suppose that would depend somewhat upon what they wanted to buy; they could not buy in excess of the production of the outside factories.

Q. Is it a fact that your output is so much larger than that of the other companies that you practically have the power to dominate the trade and fix prices?—A. Manufacturing, as we do, 72½ per cent of the output, our prices certainly regulate the general trade prices.

Q. Do they fix or determine the prices?—A. Not always.

METHOD OF PREVENTING FOREIGN COMPETITION.

Q. Is the domestic and foreign competition sufficient to prevent you from exacting an unreasonable price?—A. Yes.

Q. Does the tariff in any way protect you in maintaining a price above the level of the price at which foreign goods can be landed here?—A. No.

Q. Have you in any way tried to prevent the trade in the United States from buying foreign glass?—A. We have made certain contracts with the buyers, in consideration of which they agree to purchase all of their glass in this country; but there is nothing preventing them from buying glass on the other side if they choose to do so.

Q. What would be the penalty in their relations with you if they did buy foreign glass?—A. We certainly would not refuse to sell them glass.

Q. Would you sell it to them on the same terms?—A. As they could buy imported glass?

Q. Yes; on the same terms as you would otherwise offer.—A. It would not be reasonable to suppose, these jobbers being our competitors, that we would consent to their importing glass and in addition to that give them a commission for buying our product.

Q. It has been said that you have an arrangement with them by which you give them a rebate at the end of the year if they have behaved well toward you during the year. Is it true that you offer such a rebate or such terms?—A. There is no question of behavior at all; that has never entered into the question.

Q. I am using the language of those who have testified on that subject. Now, I will ask you in my own language whether or not you have a contract with the B buyers generally for giving them a rebate at the end of the year on the purchases they have made from you? I will say either the A buyers or the B buyers.—A. Both of these classes of buyers purchase nearly all of their supplies from the outside factories. Some of them have imported glass. In order to show our disposition toward

this class of buyers, at their request we agreed to allow them a certain percentage in consideration of their purchasing their glass in this country.

Q. You say that was at their request?—A. Yes.

Q. Does that allude to purchases of glass from your company or simply to glass bought in this country?—A. Glass bought in this country.

Q. Then you have not undertaken to limit their trade to your company?—A. No; absolutely not.

Q. Can you furnish the commission a copy of any contract or letter or circular which offers that rebate to them, and on which that trade arrangement is founded?—A. I presume very likely that a copy of the letter sent out by our local manager could be given, if the executive committee think it proper to do so.

Q. Will you undertake to procure it and furnish it to the commission and make it a part of your testimony when you receive your testimony for revision?—A. I can not promise that without the permission of the company.

Q. Will you do it if you get the permission of the company?—A. Yes.

Q. (By Mr. Kennedy.) I should like to ask you about the circular to the Philadelphia dealers. You stated that you did not know the exact language of the circular. Being at the head of the commercial department of your company, you must know the general character of that circular. Can you state what the purport of it was?—A. I would rather not attempt to explain the purport of it if the letter is to be part of my evidence.

Q. Well, it is not settled that it will be; and if you can recite the purport of it, I should like to have you do so.—A. I have never seen the letter, nor have I ever seen a copy of it, excepting as printed in the papers.

Q. Were you aware whether or not these Philadelphia dealers had violated their agreement with you and purchased glass abroad?—A. Personally I was not aware of that fact.

Q. You said you allowed them a percentage. I do not know but what your statement was clear and that I understood it imperfectly, but your answer seemed to be that you allowed them a percentage at the end of the year on the purchase of American glass, whether the purchase was confined to your company or not. Was that the intention of your answer?—A. Yes.

Q. If they purchase glass from the independent companies, do you allow them a percentage at the end of the year?—A. On the purchases from the independent companies?

Q. Yes.—A. Oh, no; only on glass they purchased from us.

Q. On all glass they purchased from you?—A. Yes.

Q. You can not state the character of that circular?—A. No; I can not.

Q. (By Mr. Litchman.) Have you stated the amount of this rebate that was allowed at the end of the year?—A. Five per cent.

COMBINATION OF JOBBERS PREVIOUS TO ORGANIZATION OF PITTSBURG PLATE GLASS COMPANY.

Q. Do you know of any organization or combination of jobbers that existed previous to the organization of the Pittsburg Plate Glass Company, the present Pittsburg Plate Glass Company?—A. Yes.

Q. Whom did it embrace?—A. It embraced the jobbers of glass throughout the United States—glass and kindred lines.

Q. Did it embrace substantially all of them?—A. All of the large buyers; yes.

Q. Including those in the city of Philadelphia?—A. Yes.

Q. Was there any large manufacturer or large dealer in paints and oils in Philadelphia that was not included in that organization?—A. There are a good many dealers in paints and oils that do not sell glass at all.

Q. I am speaking of those who do handle glass and have in the past.—A. I do not know how large buyers of glass some of these paint men are in Philadelphia.

Q. Was the firm of Lucas & Co. a member of that combination?—A. They were.

Q. Did this combination of jobbers control the price at which plate glass was sold to the consumer?—A. Yes.

Q. Did they control the price paid to the manufacturers for plate glass? I mean control in the sense that the manufacturer was in a measure compelled to accept the prices fixed by the jobbers.—A. Yes.

Q. Was this association in a position therefore to raise the price on the consumer and lower the profits to the manufacturer?—A. Yes.

Q. And do you think that it did so?—A. Yes.

Q. Is the effect of the operation of the present system inaugurated by the Plate Glass Company to do away with the injury of which you complain?—A. Yes.

Q. It is not an arrangement for the purpose of forcing those who desire to buy glass to accept terms dictated by your company.—A. No.

Q. Do you know of any instance where pressure has been brought by the Plate Glass Company upon firms who have bought from the independent companies because they did so?—A. No.

Q. Do you know of any pressure that has been brought upon jobbers importing glass because of such importations?—A. I think I answered that question.

Q. You think that the answer in relation to the circular answers that?—A. Yes.

TERMS GIVEN TO DEALERS.

Q. (By Mr. KENNEDY.) One of the gentlemen who was here the other day stated, if I remember correctly, that the purchasing arrangements they had with your company were such that the only profit they had in the business was this 5 per cent rebate at the end of the year, and if that were withdrawn their business would be conducted at a loss. Is that true?—A. I do not know enough about their expenses of doing business and how they sell their plate glass and kindred lines to answer that question.

Q. (By Mr. LITCHMAN.) Are they not compelled to sell at the price you fix in your jobbing business?—A. Some of the glass they would probably sell at that price; but every seller takes advantage wherever he can of the ignorance, perhaps, on the part of the small buyer, or where he is buying other things in connection, and makes a profit.

Q. Could they sell the glass bought from the Pittsburg Plate Glass Company at a less price than the Pittsburg Plate Glass Company sold that glass through their jobbing establishments?—A. Would they sell it at a less price than we sell it?

Q. Yes.—A. No; I do not know why.

Q. Then is the 5 per cent based on the selling price through your jobbers?—A. The 5 per cent is based upon the selling price.

Q. Is it not substantially true, then, as far as glass bought from your company is concerned, that the jobbers have only that 5 per cent margin?—A. Not necessarily. You must understand that there are a good many other items in connection with the buying of plate glass upon which they might make a profit; or perhaps they might, in making an estimate, ask a little higher price for the glass. And I have known instances in the smaller trade, when I was a jobber, where we would make anywhere from 15 to 25 per cent in excess of what commission we were receiving from the manufacturer.

Q. Do not the jobbers to whom the Plate Glass Company sell in their turn sell the consumers?—A. Yes; but they do not sell all consumers alike. That is left to their judgment to sell as they please.

Q. I understand. But do you think that they could get from consumers a higher price than the consumers could buy the glass for from your jobbing houses connected with the Pittsburg Plate Glass Company?—A. They could in some cases, because the consumer would not be familiar, perhaps, with what the price of glass was.

Q. As a general proposition, do you think it might be so?—A. General proposition; no.

Q. Then that being the case and the price, or rather the rebate being based on the price which you make to the jobbers, is it not substantially true that their only margin of profit on the glass sold by the Pittsburg Plate Glass Company is the 5 per cent?—A. Well, put it in the way you state it, yes.

Q. You say put it in the way I state it; how else would you state it?—A. I mean substantially.

Q. (By Mr. FARQUHAR.) To cover this very point, are your terms of payment and your discount the same to all customers, and published so they will be known to all?—A. The terms of payment are what have always been quoted in the trade and the prices are generally announced by circulars.

Q. These circulars are circulated through the whole trade?—A. Yes, as far as we know them.

Q. Since you have had this 5 per cent in operation, how much has this premium rebate amounted to in any period of 12 months?—A. I can not say.

Q. Are there any discounts given to different building contractors, superintending architects, and others, independent of your circular prices that you send to the whole trade through your distributing houses?—A. Those people are all sold at whatever the market rate may be; they are all sold the same.

Q. Is there any discretion on the part of your local agents at your distributing points as to making other and different prices than are contained in your general circulars, with contracting architects and superintending architects or builders?—A. We allow the local managers to use a good deal of discretion in these things.

Q. Are they on salary or do they have a commission on sales?—A. On salary.

Q. (By Mr. CLARKE.) Do you desire to make any further statement yourself?—A. No.

(Testimony closed.)

THE SALT COMBINATION.

WASHINGTON, D. C., *April 11, 1901.*

TESTIMONY OF MR. ARCHIBALD S. WHITE,

President National Salt Company, New York City.

The commission met at 10.40 a. m., Vice-Chairman Phillips presiding. Mr. Archibald S. White, of New York City, president of the National Salt Company, being duly sworn, testified as follows:

Q. (By Mr. JENKS.) Will you give your name and address and position with the Salt Company?—A. Archibald S. White, president of the National Salt Company, New York.

SOURCES OF SALT SUPPLY.

Q. Will you give a statement with reference to the nature of the business you are conducting and to some of the methods of manufacture?—A. There are three sources of supply of salt: From sea water, from natural brine springs, and from mineral rock-salt deposits which are found below the surface of the earth, varying from 300 to 3,000 feet in different localities. The production of salt from sea water is usually carried on in a tropical climate by the impounding of sea water in a pond and the subsequent evaporation of that water by solar heat and wind. No salt is made from sea water in the United States except on the Pacific coast, in California. Salt is made from brine springs at Syracuse, N. Y., by solar evaporation and by evaporation by artificial heat, the brine being contained in kettles set in masonry over a furnace. The principal source of production of salt in the United States is from brine, which is procured by bringing fresh water in contact with the mineral rock salt contained in the earth. This brine is then pumped to the surface, purified, and evaporated.

METHODS OF EVAPORATION.

Three methods of evaporation are most popular. The English or open-pan system consists of a steel pan 20 feet wide by 100 feet long, filled with brine about 2 feet deep and situated over a furnace. Fuel is burned on grates under one end of the pan, the heat passing along under the pan its entire length and, with the gases of combustion escaping out of the stack at the end of the pan opposite the grate. The second or grainer system consists of wooden or steel vats about 125 feet long by 11 feet wide and about 2 feet deep, which are filled with brine, and in which are immersed pipes, through which steam passes from the boilers. Evaporation of brine results, and the salt is precipitated by gravity to the bottom of the grainer, whence it is lifted out by rakes operated by machinery or by labor. The third system is known as the vacuum process, where the brine is boiled under a vacuum in a closed vessel by application of steam heat.

Q. In the case of the National Salt Company, do you manufacture any by the first method, the method of solar evaporation?—A. Yes; we employ all three methods. We have a small property in Texas using the method of solar evaporation in a limited way, but not to any large extent. We do not use sea water. We evaporate brine by solar heat in Colorado City, Tex.

EXTENT OF BUSINESS CONTROLLED BY THE NATIONAL SALT COMPANY.

Q. With reference to the other methods employed, will you tell us in about what proportion they are used by the National Salt Company and where the main plants are located?—A. That is answered in your next question, which I understand to be, "What is the extent of the business, number, location and capacity of plants owned by the National Salt Company; the capacity, number and location of plants of competitors?" As far as the business is concerned, the consumption of salt is universal.

The production in the United States is about 10,000,000 barrels annually. The following plants with their capacity are owned by the National Salt Company and constituent companies:

Plant.	Location.	Capacity (daily).
		Barrels.
Cayuga plant	Ludlowville, N. Y	1,500
Ithaca plant	Ithaca, N. Y	800
Glen plant	Watkins, N. Y	1,300
Perry plant	Perry, N. Y	300
Kerr plant	Rock Glen, N. Y	1,000
Bradley plant	Warsaw, N. Y	1,000
Empire plant	do	800
Gouinlock No. 1	do	300
Gouinlock No. 2	do	300
Hawley plant	do	600
Warsaw plant	do	800
Pearl plant	Pearl Creek, N. Y	400
Pavilion plant	Pavilion, N. Y	300
Leroy plant	Leroy, N. Y	1,000
United Salt Co. and various plants owned by them in Ohio		4,000
Morton plant	Wyandotte, Mich	1,200
Eddy plant	Saginaw, Mich	400
Hutchinson-Kansas plant, and plants owned by them in immediate vicinity.	Hutchinson, Kans	4,500
Lone Star Salt Co., and various plants owned by them in Texas.	Dallas, Tex	1,200
Total		21,700

PRODUCTION OF ROCK SALT.

Q. (By Mr. Phillips.) Where is that water obtained in the case of these New York plants you spoke about putting water down and pumping it out?—A. From the surface; usually from springs, lakes, or any convenient source.

Q. Is it generally pure water?—A. Yes; it is taken from the surface because that is where we get our purest water. We encounter waters impregnated with various minerals and substances going through the rock, and we exclude such impure waters by putting in a casing.

Q. What thickness is that rock salt?—A. Well, it varies in thickness from 8 to 250 feet; sometimes it occurs in one solid mass and other times it is separated by strata of shale, occasionally by strata of limestone.

Q. At what depth is it generally obtained there?—A. In New York State?

Q. Yes; along the lakes in the works that you have described, the Warsaw field, for example.—A. In the Warsaw field the salt is found at the northern extremity of the field at Leroy, N. Y., about 800 feet below the surface. The dip of the salt rock is about 100 feet to the mile toward the south, so that when you get just below Warsaw in the vicinity of Rock Glen, the salt is 3,000 feet below the surface.

Q. At lower depths would it not be cheaper to shaft for it?—A. The rock salt as it occurs in nature is impure; that is, it is mixed with shale and other earthy substances and other mineral substances, as sulphate of lime.

Q. Is that true in all parts?—A. There is none absolutely pure; they are all commercially pure, but in order to make a white, clean salt acceptable to the trade it is necessary to dissolve this rock salt and get it into a liquid condition for purification. After these impurities are eliminated the brine is evaporated and the salt produced. Every 100 pounds of brine is saturated and contains theoretically about 26 pounds of salt—practically about 25—so that to produce 25 pounds it is necessary to evaporate 75 pounds of water.

Q. After you have used these wells for a time, is it necessary for the water to stand longer in order to get the proper amount of salt in solution?—A. The older a well is the better it is, because in time you have practically a subterranean lake, and the process of putting the water down and bringing it up is really one operation. The water is taken at the surface and put through a force pump, and the initial force of the water going down into the well through the one pipe forces the brine in the well to the surface through another pipe.

Q. Does it go into the same places? If so, would not that weaken the brine?—A. Yes, the fresh water having less specific gravity than the brine is always on the surface of the subterranean lake, and the salt being much heavier is at the bottom. The brine which is to come to the surface is at the bottom of the well, and the well is probably very deep. You can't tell, you guess at it, but it is several hundred feet deep.

Q. (By Mr. LITCHMAN.) Is the well abandoned after this salt is taken out?—A. Yes.

Q. (By Mr. PHILLIPS.) In drilling this well are you compelled to make a cut through the top of it?—A. No, we drill through the top of it. A new well is not a desirable thing. It takes some time to create a cavity. You can readily imagine when the rock salt is dissolved away there is nothing to support the overhanging rock, and it continues to cave until it gets into the form of an arch and is self-supporting.

Q. And after that do you have to clean it out?—A. Yes, we have to remove our piping, put in a string of tools, and drill deeper through this that was filled.

Q. (By Mr. CLARKE.) When was this method of salt manufacturing introduced?—A. I do not know. It goes back to the original Britons. The manufacture of salt commenced in this country with Revolutionary times. It was made in Syracuse, N. Y., by the Onondaga Indians, who produced it from brine springs. They discovered salt water coming out of the earth and boiled it. Subsequently in the western part of New York State the rock salt was discovered during the boom in oil times. Wells for oil were put down in different parts of the country and salt was found. The oil development has really located the salt deposits in this country; oil is usually sought for and salt found.

Q. (By Mr. PHILLIPS.) How extensive is that rock-salt deposit along the border of the lakes—about how many miles?—A. In New York State the rock-salt deposit extends from a point 35 miles east of Buffalo in a southeasterly direction to a point a few miles north of Binghamton. I would say the average length is about 150 to 200 miles, the average width about 30 miles, and the average depth from 20 feet at the extreme northwestern end to 285 feet at Ithaca. There is enough salt in New York State alone to supply the world for a million years. In Ohio the deposit seems to surround Cleveland, about 15 or 20 miles east and west of Cleveland, and 50 miles south. In Michigan the deposit of rock salt is found along the St. Clair and Detroit rivers, and on the western side of Michigan, at Ludington and Manistee. In the Saginaw Valley they have brine, and it is presumed to be the filtration through the earth from these rock-salt deposits on the east and west of it. In Kansas rock salt is found in the central and western part of the State at from three to five hundred feet below the surface. In Louisiana there is a deposit of rock salt at Avery Island, and at another island known as Belle Island, on the Gulf. There is also some rock salt found in the southwestern corner of Virginia. It is a very peculiar formation, however, and occurs in pockets only; that is, it is unusual. It usually occurs in well-defined strata. There is some little rock salt in Wyoming and in Utah, but not available because removed from transportation facilities. That is about the known deposit to-day in this country.

Q. (By Mr. JENKS.) You were speaking of putting water down to the rock salt and then pumping out the brine and evaporating that. How large a proportion of your business is carried on in the other way where you find a deposit of brine, as in the Saginaw Valley, so that you do not pump any water?—A. Well, I should say perhaps 3 or 4 per cent. You understand that from an economic standpoint one must evaporate the strongest brine, while in these natural brine springs the brine is weak. For instance, with a salometer test brine from rock salt will stand 100 at saturation; the Saginaw Valley brine stands about 66; the Syracuse brine at 62; so that it requires a great deal more fuel to produce 1 pound of salt from Saginaw or Syracuse brine than it does from natural brines.

Q. (By Mr. KENNEDY.) What is the strength of the Utah brine?—A. The source of production of brine in Utah is the Great Salt Lake, where their industry is carried on by solar evaporation, and that brine stands about 85 to 90.

Q. Do you do any salt mining at all?—A. Yes. We are not interested in the mining business, but there are three mines in the western New York field, two in Kansas, and two in Louisiana, and they mine salt and prepare it for the market just as anthracite coal is mined; in fact, the two operations are almost identical.

Q. (By Mr. JENKS.) You say those salt mines are not in your company?—A. They are not. The consumption of rock salt as taken from the earth in its natural condition is about 10 per cent of the total for the whole country, the other 90 per cent being evaporated salt. The reason for that you will see when I explain to you that the mineral rock salt in nature is impure, and that restricts its sale.

COST OF FUEL USED IN PRODUCTION OF SALT.

Q. Did you have anything in regard to the cost of fuel in carrying on your business?—A. That is determined entirely by the location.

Q. I wish you would speak of the cost as regards the New York, Ohio, and Michigan plants—the kinds of fuel used, for example.—A. In New York the fuel used is the

cheapest quality of coal—usually anthracite screenings which have been the refuse from the mines. The salt manufacturers were the first ones to utilize that refuse. In Michigan the manufacture of salt is carried on in connection with the manufacture of lumber, and is practically a by-product. The refuse from the sawmills, consisting of slabs, sawdust, etc., is burned under boilers and steam generated and the steam used in the evaporation of the brine, and the salt is produced thereby. In Ohio coal is used, usually bituminous slack, that being the cheapest article, which is procured from the eastern Ohio and Pittsburg district. In Kansas fuel is procured from Kansas points on the Santa Fe road and on the Missouri Pacific.

Q. About what does the coal cost that is used in New York?—A. Well, in New York it averages about $1.50 a ton delivered at the salt works.

Q. Where the salt manufacture is carried on in connection with the lumber industry do you count the cost of fuel anything at all, or is it better than nothing?—A. That is a matter of opinion. Some salt manufacturers figure that they can make salt for nothing, and others say it costs them more than they get for it. Their business is so interwoven—the timber in the forest and the mill and the lumber itself, and the salt business, they are all mixed up together, and they don't keep a very accurate set of books anyway.

Q. Because they think the fuel costs nothing, do they go on the basis that it would cost them something to dispose of the slabs in other ways?—A. Yes; it would. You will find in lumber camps and sawmills immense towers erected for the purpose of burning these slabs. They accumulate so rapidly they must be gotten rid of.

COMPETITORS OF THE NATIONAL SALT COMPANY.

Q. Had you finished what you had to say with reference to plants?—A. Plants owned by competitors are scattered in different producing sections of the country. In New York State the Syracuse industry is owned by some 12 individuals and corporations. In the western New York field there are 3 plants owned by competitors, in Ohio 4, in Michigan 14, in Kansas 1, and in Texas 2.

Q. Have you any understanding with these competitors in regard to prices?—A. No.

Q. Will you state what percentage of the entire product of the country is manufactured by the National Salt Company, and what by your competitors?—A. Well, that is a very difficult thing to state, because we do not know exactly what our competitors are making. But I should say that the National Salt Company controlled between 85 and 90 per cent of the evaporated salt made east of the Rocky Mountains.

Q. You say of the evaporated salt, leaving out the salt mined?—A. Leaving out of the discussion all the mined salt and the solar salt which is made at Syracuse.

Q. Then of the salt which is consumed east of the Rocky Mountains you would put the percentage somewhat less?—A. Yes.

Q. (By Mr. PHILLIPS.) About what percentage would that be?—A. Well, roughly I should say 75.

Q. (By Mr. LITCHMAN.) Have you stated the amount of consumption of salt in the United States?—A. Of evaporated salt the consumption is about 10,000,000 barrels, and of the mined salt I can not give you reliable figures, but I should say it is approximately 2,000,000 barrels.

Q. So that the total consumption is about 12,000,000 barrels?—A. Yes. Well, there is perhaps 1,000,000 barrels of solar salt to be added to that; so the total consumption would be 13,000,000 barrels.

Q. Now, how much of that 13,000,000 barrels did you turn out?—A. Last year we sold between 8,000,000 and 9,000,000 barrels.

Q. (By Mr. KENNEDY.) Did you include the Utah salt in that list of yours or of your competitors?—A. That is a competitor of ours; but the Utah production is practically confined to the Utah Valley and territory tributary thereto. We do not go west of the Rocky Mountains, nor can they come east, because of conditions which I will explain to you in a few minutes—that is, freight rates.

METHODS OF PROMOTION EMPLOYED BY THE NATIONAL SALT COMPANY.

Q. (By Mr. JENKS.) Now, if you will take up this next question as to the method of promotion of the National Salt Company.—A. The company was organized in March, 1899, and acquired at that time 13 plants in New York State. The basis of purchase was an appraisal of the tangible assets and an issue therefor of preferred stock. An issue of common stock was also made to the owners of those properties for their good will, earning capacity, trade-marks, brands, etc., on a basis of five times their average annual earnings for the two preceding years. To illustrate: A concern that showed average annual earnings of $10,000 received $50,000 of common

stock at par. Each owner was then privileged to cash in one share of preferred stock and one share of common stock, and receive therefor $100. Working capital was also provided by an issue of one share of preferred and one share of common for $100. There was no syndicate formed to underwrite any of the securities. An offering was made of securities to procure the cash required through the Atlantic Trust Company of New York, which received therefor a fee of $5,750. I will be glad to send you the voucher if you will be interested in seeing it.[1] Subsequently properties in Ohio, Michigan, Kansas, and Texas were purchased on the best terms possible, payments being made sometimes in stock of the National Salt Company and sometimes in cash. In that connection here is a copy of the printed circular issued at that time, entitled "Plan of organization, National Salt Company," which I will submit in evidence if you desire. Here is also the subscription agreement of the National Salt Company which was signed by subscribers on the offering of the Atlantic Trust Company.

EXHIBIT 1.—*Plan of organization and subscription agreement of the National Salt Company.*

PLAN OF ORGANIZATION.

NATIONAL SALT COMPANY.

(To be organized under the laws of New Jersey.)

Authorized capital:	
Noncumulative 7 per cent preferred stock	$5,000,000
Common stock	7,000,000
Present issue of capital stock:	
Preferred stock	2,400,000
Common stock	3,500,000

It is proposed to organize a corporation under the laws of New Jersey to be called the National Salt Company, for the purpose of uniting into one corporation the following salt-manufacturing plants, producing about 90 per cent of the evaporated salt from brine by artificial heat manufactured in the State of New York: Bradley Salt Company, Warsaw, N. Y.; Cayuga Lake Salt Company, Ludlowville, N. Y.; Empire Dairy Salt Company, Warsaw, N. Y.; W. C. Gouinlock, Warsaw, N. Y.; Glen Salt Company, Watkins, N. Y.; Hawley Salt Company, Warsaw, N. Y.; Ithaca Salt Company, Ithaca, N. Y.; Kerr Salt Company, Rock Glen, N. Y.; Le Roy Salt Company, Leroy, N. Y.; Pavilion Salt Company, Pavilion, N. Y.; Pearl Salt Company, Pearl Creek, N. Y.; Silver Lake Salt Company, Perry, N. Y.; Warsaw Salt Company, Warsaw, N. Y.; and also to acquire the business of the National Salt Company of West Virginia, which is now acting as a distributor of the products of the above-named manufactories.

In the acquisition of the foregoing enumerated properties and business the new company will issue—

Preferred stock	$2,400,000
Common stock	3,500,000

[1] Later the witness submitted a copy of the voucher, as follows:

Check No. 29.] [Voucher No. 29.

NEW YORK, *April 18, 1899.*

National Salt Company to Atlantic Trust Company, 39 William st., New York, Dr.

[Account of organization expenses.]

To services rendered as depository for $1,150,000—7 per cent preferred stocks—issuing receipts for subscriptions so paid, and transfer of moneys so received to United States Mortgage and Trust Company	$5,750

Price correct	Received ——— ——, 1899, of National Salt Company ——— dollars, in full payment of above account.
Extensions examined	——— ——,
Approved	——— ——— ———.
	Please receipt and return this voucher to us at once.

(Indorsed:) Voucher No. 29, date April 18, 1899; amount, $5,750; in favor of Atlantic Trust Company; charged to organization expense account.

The balance of the capital stock of the corporation, viz, $2,600,000 of preferred and $3,500,000 of common stock will be used solely for the acquisition of modern manufacturing salt plants, the product of other salt properties in the states of Ohio and Michigan, and the general purposes of the company.

The above-named manufacturers are to transfer their good will, plants, patents, trade-marks, and all their visible tangible real and personal property to the new company, under certificates of the manufacturers, respectively, that they are free of all indebtedness, secured or otherwise.

These manufacturers have agreed to take, in part payment for their properties, about 55 per cent of the purchase price in shares of capital stock of the new company.

The net profits of the above-mentioned properties during the year 1898, on a production of about 300,000 tons of salt, were, as certified to by the parties realizing the same, respectively, not less than $450,000.

By the proposed union, economies in the manufacture, transportation, and distribution of the product, it is estimated, will amount to not less than $150,000 per annum.

For the purpose of providing funds for such of the manufacturers as prefer to accept cash, a working capital of not less than $450,000, consisting of raw material, finished product, and cash, and to carry out the plan the Atlantic Trust Company of New York, for the account of the undersigned, will receive subscriptions for $1,150,000, entitling the subscriber to $1,150,000 of preferred and $1,150,000 of common stock of the proposed new company when issued and received for delivery by the United States Mortgage and Trust Company.

The right is reserved to reject subscriptions and to allot smaller amounts than those applied for.

The $1,150,000 realized from the sale of capital stock as above provided are to be paid over by the Atlantic Trust Company to the United States Mortgage and Trust Company, to order of the undersigned, to be applied by the last-mentioned trust company, as the agent of the undersigned, to the purposes aforesaid.

In case, for any reason, any of the properties above enumerated shall not be acquired by the new company as above indicated, then there shall be withheld from the proposed issue of preferred and common stock as above stated, such an amount of preferred and common stock as is estimated to be the value of said property or properties so omitted, according to a schedule lodged with the United States Mortgage and Trust Company by the undersigned.

Application will be made to have the securities listed on the New York Stock Exchange.

Dated New York, March 11, 1899.

ARCHIBALD S. WHITE,
President National Salt Company of West Virginia.

NATIONAL SALT COMPANY.

Subscription agreement.

We, the undersigned, in consideration of our mutual promises and agreements, and for other good and valuable considerations, do hereby agree with the Atlantic Trust Company of New York, and with each other, to subscribe and pay to the Atlantic Trust Company of New York the amounts set opposite our respective names, of the stock of a new corporation entitled the "National Salt Company."

It is understood and agreed by and between the parties as follows:

That the moneys paid into the Atlantic Trust Company under this agreement shall be applied to carrying out the plan of combining the plants and interests now engaged in the manufacture of salt.

Each subscriber hereto shall, at the time of making the subscription, pay to the Atlantic Trust Company an amount equal to 10 per cent of the subscription, the balance to be due and payable on April 1, 1899.

Each subscriber shall receive from the Atlantic Trust Company, in consideration of their subscription hereto at the time of payment, an assignable certificate of the Atlantic Trust Company entitling the holder to 7 per cent preferred shares of the National Salt Company to the amount of their subscription at par, together with a like amount of the common shares of the said company, subject to completion of payment in accordance with the terms of this subscription.

This agreement may be executed in separate writings with the same effect as if all the signatures were upon one, and shall bind and benefit the respective successors and assigns of all subscribers.

In witness whereof we have hereunto set our hands this 6th day of March, 1899.

Name.	Address.	Amount.

CHARACTER AND AMOUNT OF STOCK ISSUED.

Q. (By Mr. Jenks.) I want to ask one question further with reference to the statement you made as to the issue of the common stock for the good will and trademarks and so on; you said it was 5 times the net earnings?—A. Yes. We only have one kind of earnings in our business; that is net.

Q. (By Mr. Farquhar.) The premium, then, was 5 years' net earnings, to take up the good will and everything else belonging to the concerns?—A. Yes.

Q. Independent of the tangible assets?—A. In other words, we endeavored to issue a primary security which we called preferred stock, as representing the absolute value and tangible assets. Then we recognized that there was an earning capacity, and all those considerations, which were entitled to some expression in capitalizations, but we did not want to confound that with the primary security.

Q. (By Mr. Jenks.) In the case of your establishments you said they were paid for sometimes in cash and sometimes in securities. Was there any general rule as to the choice that was given to securities if they decided to take them? Was it on the basis of $100 or was one share of both preferred and common given for $100 cash?—A. We determined the value of a property, and if it was decided that we should pay for it in stock of the company the issue was usually made on the basis of a share of preferred and a share of common stock being worth $100. In some instances, however, the transfer was made on the basis of the market price of the two stocks at that time. They have never been below par—that is $100 for the two, and they have been as high as $140.

Q. Sometimes you put it on the market at half the face value?—A. Yes; just the best trade we could make.

Q. When were the outside plants bought in mostly, or do you still keep on buying them from time to time?—A. No, we have finished.

Q. How long since?—A. The last property was acquired a year ago last February.

Q. As regards the plants in the existing organization, that was practically covered in what you said before?—A. Yes. I can not quite understand what you mean by that, unless you want to know how we conduct our business?

ORGANIZATION OF THE BUSINESS.

Q. What I had in mind was particularly the way in which you had the business organized, and your method of promotion.—A. Well, it is on well-organized lines, a good deal on the army principle, or, as I understand politics are conducted; that is, the producing districts, New York, Ohio, Michigan, Kansas, and Texas are divided into departments, each with its head, and each stands on its own bottom and conducts its business in its own way, receiving general instructions from the executive officers. The purpose of that organization is that we may keep in close contact with our trade; that we may know their requirements and not attempt to deal with conditions a thousand miles away. We find it very satisfactory.

Q. How often do you get reports from the different establishments with reference to their business?—A. Every day. Every morning there is placed on my desk a recapitulation of sales in every office which we have. Once a month we close our books and know how much money we have made or lost and where it was made or lost and how.

Q. So that from the central office you are enabled to give detailed instructions to the managers of your separate plants as to where they are weak and where they are strong, and so on?—A. Yes, we find that by comparing the different records, or rather rubbing the records of the different department managers together, we produce good results. If one man is extravagant in one particular, his attention is called to that, and he is ambitious to be No. 1 on the list.

Q. (By Mr. FARQUHAR.) What is your means and manner of distribution to your customers—through your own agents or through commission houses?—A. Well, we do it in different ways. We have endeavored not to use what would be called violence to established customs. In some parts of the country the salt has been handled through agents and dealers. In other parts of the country we have got just as close to the consumer as possible. The policy of our company is to deal with the consumer as far as possible and cut out the middleman. If it were possible to hand around a bag of salt to each consumer we would like to do it.

Q. (By Mr. JENKS.) Coming again to your method of doing business: Do you have any way to stimulate the activity of the superintendents of your different districts in their work, by letting their pay depend in part on the results of their works, or is it only by comparing their results?—A. Individual effort is recognized from the president down. His salary, by the way, is contingent on results; and we attempt to follow that out right along the line to the most common laborer. Of course we can not always do that. A man is a man with a good many of our employers, and we can not make the distinction which we would like to and which good men deserve. It is not possible to put them on piecework.

METHOD OF MANAGING PURCHASED PLANTS.

Q. (By Mr. PHILLIPS.) You bought out various plants, you say. Now are these plants run by the owners and are they still employed, or have you put in a new set of men altogether?—A. Well, they were retained in most of the plants; they act as superintendents.

Q. Having stock?—A. Most of them have retained the stock which they received.

Q. The larger per cent of the employees under them remain?—A. Oh, yes; there were no great changes; of course, there have been some few in the working out of economies. One factory here and there is dropped. The matter gets into the newspapers, and we are abused for it.

Q. (By Mr. JENKS.) About how many plants have you found it advisable to shut down?—A. Six.

Q. Out of how many?—A. Out of 36.

REASONS FOR FORMING THE COMBINATION AND ITS EFFECTS.

Q. Now, if you will take up this next question please, with reference to the reasons for the formation of the organization and the effects of the combination.—A. Economic conditions demanded the formation of the organization. It was organized by salt manufacturers for their self-preservation. The competition was severe, not only as to prices, but as to quality. As the prices were reduced, it was the tendency to make cheaper and poorer salt, and to place it on the market in cheap, inferior, and flimsy packages. All salt is sold delivered at point of consumption, not at point of production. Of that delivered, from 30 per cent to 60 per cent of the price constitutes freight; therefore, each producing section should naturally supply the territory contiguous thereto. This was not always the case, however, as salt manufactured in some localities was not acceptable in quality to purchasers. As a result, salt was shipped to distant and unnatural markets, paying freight thereon equal, and sometimes exceeding, the value of the salt at the point of production. For instance, much salt was shipped from New York State fields to western markets at a freight rate of from 45 cents to 70 cents per barrel, while the market price of the same at the point of production was much less than 70 cents per barrel. Reforms have been made by producing a uniform quality of salt of a standard grade of manufacture in each of the several producing districts, and an economy has been effected by supplying markets from the nearest point of production at the lowest prevailing freight rate, thus doing away with the extravagance of cross shipping of freight. The competition in many sections was intense and vicious. For instance, the average price received by many manufacturers in Michigan in July of 1899, was 28 cents per barrel for granulated salt, which price included the cost of the barrel, which is estimated to be 20 cents; the remaining 8 cents did not cover the labor and other costs of producing the salt. Much of Michigan salt was sold in territory naturally tributary to the Ohio and Kansas fields, which was an unnatural market. These sales were effected, primarily, because the Ohio and Kansas producers were shipping their salt into territory which Michigan producers considered was theirs because of its geographical position. You will observe that the producing sections of the country find their markets, or rather their markets are dictated to them, by freight rates. Kansas can not ship salt to New York, nor New York to Kansas, nor Michigan to New York, nor New York to Michigan; the freight is more than the value of the salt.

Q. You spoke of the competition being very severe in certain localities, and you developed the subject particularly as regards freight rates. As a matter of fact, were the salt companies in different places able to pay dividends or not?—A. Well, some were and some were not. Properties that were well located, well managed, producing a superior grade of goods, made money, and the reverse did not.

Q. You spoke also of the quality. In how many places is there a state inspection of salt that really affects materially the quality and keeps it up?—A. Well, there is a fake inspection in Michigan; it does not amount to anything; the barrels are branded before the contents are put into them.

Q. Is the salt itself inspected in the bins before it is packed?—A. No. It is supposed to be; but the law isn't carried out.

Q. Is Michigan the only state where there is supposed to be a state inspection?—A. In New York state the brine springs are under the control of the state of New York, but the inspection does not amount to anything.

Q. Do you think that the formation of this company is to be considered as one of the causes of fixing and keeping up the quality?—A. In these large organizations you must have a system; without it you can not do business for a moment. Now, the system means a uniformity of doing everything, and, therefore, we must do the best at all times; we must produce the very best salt that we can. One great disadvantage which I think that the large corporations labor under is their inability to cater to the whims, prejudices, and ignorance of buyers who want goods packed this way or that way. It is impossible in large organizations to give much latitude to individual desires among consumers. We must make a standard, and that standard must be the very highest possible.

ECONOMIC EFFECTS OF ORGANIZATION.

Q. You spoke of the saving in freight rates. Are there any other savings that were contemplated?—A. Well, there are savings in distribution by doing away with the middleman and selling direct to the consumer; the consumer gets that. I understand the question to be, "The effects of organization: (*a*) on prices, with statistics for some years before and after its formation; (*b*) on wages; (*c*) on dividends; (*d*) on competitors." It is difficult to present authentic statistics of a range of prices for some years past, due to the fact that the development of the western New York, Ohio, Kansas, and Texas industry is recent, say within the last 10 or 15 years.

You will below find a schedule of prices which the manufacturers in Michigan have averaged since 1866. The range is, in 1866 they received $1.80 per barrel; in 1900, 47 cents. There has been a gradual reduction down the line. These prices, by the way, are supposed to be at the point of production. It is difficult to make a comparison between existing prices and the above figures, for the reason that the National Salt Company has endeavored to equalize prices in various parts of the country, which prices are vitally affected by prevailing freight rates, the intention and effort being to place the salt within the hands of the consumer at the lowest price possible consistent with good quality and a fair profit. The average price prevailing to-day at the different markets is, in my judgment, less than the average price which prevailed 5 years ago.

Q. When was the National Salt Company organized?—A. The 18th of March, 1899.

(The following is the range of prices in Michigan from 1866, above referred to by the witness):

Year.	Price per barrel.	Year.	Price per barrel.	Year.	Price per barrel.	Year.	Price per barrel.
1866	$1.80	1875	$1.10	1884	$0.75 2/5	1893	$0.44 7/10
1867	1.77	1876	1.05	1885	.70	1894	.51
1868	1.85	1877	.85	1886	.66	1895	.48 9/10
1869	1.58	1878	.85	1887	.57 2/5	1896	.40 1/8
1870	1.32	1879	1.02	1888	.58 1/2	1897	.41
1871	1.46	1880	.75	1889	.54 3/10	1898	.43 3/10
1872	1.46	1881	.83 2/3	1890	.55 1/10	1899	.38 4/5
1873	1.37	1882	.70	1891	.54 4/5	1900	.47
1874	1.19	1883	.81	1892	.52 1/2	1901 (about)	.55

Q. (By Mr. A. L. HARRIS.) Is your 1901 price reckoned upon the same basis that you have reckoned the other prices?—A. Not exactly, because those other prices were the net returns at the end of the year on which they were made. These figures I am giving you are estimated. We are handling our business entirely differently from what it was formerly handled.

Q. (By Mr. JENKS.) There has been, then, quite a material increase in the price since the organization of your company—in the last year or two—an increase of about 9 cents?—A. No.

Q. From 38 to 47 cents?—A. Well, that hardly represents that the increase has been that much. There has been an advance in freight rates of approximately 25 per cent. So that the differance of 9 cents would not represent it.

Q. (By Mr. KENNEDY.) I would like to ask you how this advance in freight rates was effected. Was it by a change in the classification or direct?—A. Not direct; salt is a special commodity and has a commodity rate. The rate was advanced about the same as everything else was.

Q. (By Mr. CLARKE.) How does the present price compare with the average for 10 years past?—A. I should say it was less, but for the reasons I have already stated it is difficult to make a comparison between existing prices and the above figures.

THE RELATIONS EXISTING BETWEEN THE NATIONAL SALT COMPANY AND ITS EMPLOYEES.

The effect on wages has been an advance of 20 to 30 per cent in the wages of laborers, and about 15 per cent advance in the wages of foremen and superintendents. Comparisons can not be made in the wages of officers, individual ability governing such cases. Men that we were employing for $1 and $1.10, 4 or 5 years ago, to-day are getting from $1.50 up.

Q. (By Mr. KENNEDY.) How does that compare with 1892 and 1893?—A. Five years ago we hired laborers who worked 10 hours a day for from $1 to $1.10 a day, while the men to-day doing the same kind of work are getting $1.50 and upward.

Q. That 5 years ago would carry them into the time of the depression. Can you give the wages in the previous good times—1891 and 1892 and along there?—A. No; I could not state that with accuracy.

Q. (By Mr. JENKS.) In most cases, so far as you are aware, was there something of a reduction in wages at the time of the depression in 1893 and 1894?—A. Oh, yes.

Q. So this rise in wages is to a considerable extent a reinstatement of the rates of wages which existed before the time of the depression?—A. I think it is more than that. This is not purely a voluntary advance. We deal with the subject very liberally because we can afford to; but labor has been scarce and there has been a great demand for it. We get a better class of labor when we pay more money. We get better service and we can give our customers better service. We would enjoy paying $4 a day and having the public pay for it.

Q. (By Mr. LITCHMAN.) Have you the facilities from which you could prepare a table of wages from 1890 up to the present time?—A. The following table shows the rates each year:

Table of wages paid in the salt industry from 1890 to 1901, inclusive.

Year.	Laborers.	Firemen.	Year.	Laborers.	Firemen.
1890	$1.50	$1.75	1896	$1.12½	$1.35
1891	1.50	1.75	1897	1.25	1.35
1892	1.50	1.75	1898	1.25	1.50
1893	1.25	1.50	1899	1.37½	1.62½
1894	$1.00 to 1.25	1.35	1900	1.40	1.62½
1895	1.00 to 1.12½	1.36	1901	1.50	$1.70 to 1.80

Q. (By Mr. FARQUHAR.) Of what nationality are your employees in the laboring class?—A. All nations.

Q. Which one predominates?—A. Americans. A great many of our works are located in small towns, and the labor there usually comes from the country.

Q. In your western New York factories is the labor mostly local?—A. Yes; although a good deal of it is drifting labor of all nationalities. We have never been very successful with Italian labor, but we have been very successful with the Irish, Germans, and Swedes.

Q. (By Mr. PHILLIPS.) About how many laborers would be employed in producing, say, 1,000 barrels of salt?—A. That is a very difficult thing to state, because it depends on the system which is employed.

Q. Take some one of your own works.—A. Take the open-pan system. The cost of manufacture is, roughly speaking, divided into 2 parts—one-half for fuel and one-half for labor—and to produce 1,000 barrels of salt would require about 60 men 1 day.

Q. Now, would that be a fair average of the total output of your 13,000,000 barrels—the labor that would be employed in this industry?—A. No; that would not be a fair average. We will cut that in half. That labor is used entirely in producing the salt and putting it into the warehouse. Quite as much or more labor is used in packing the salt into receptacles and packages for the market and shipping it.

Q. That would necessarily be included in the labor in preparing it for the market?—A. I thought you spoke of making it alone.

Q. Making and preparing to ship.—A. I did not understand you.

Q. Then it would require rather more than 60—say 120 men?—A. No; because in some systems of manufacture we do not employ as much labor in making 1,000 barrels; and I think if you would put it at 100 men per 1,000 barrels of salt daily that would cover the labor employed in the manufacture and shipping.

Q. Would that be fair for the 13,000,000 barrels produced?—A. Yes.

Q. (By Mr. Jenks.) When you say 100 men does that include female labor also?—A. Yes.

Q. (By Mr. Phillips.) About how many men are employed in the salt industry in the United States?—A. Do you mean that part of the industry controlled by us or all of it?

Q. The whole of it.—A. I should say from 130,000 to 150,000.

Q. (By Mr. Jenks.) Speaking generally, about what proportion of the employees are women?—A. About 30 per cent.

Q. You spoke of the increase in wages during the last year or two. When you gave the figures of $1.50 you were referring, I suppose, to ordinary labor?—A. Common labor.

Q. As to the wages of superintendents?—A. (Reading.) The effect on wages has been an advance of 20 to 30 per cent in the wages of laborers, and about 15 per cent advance in the wages of foremen and superintendents. Comparisons can not be made in the wages of officers, individual ability governing such cases.

Q. With reference to your traveling men, would there be some saving by dealing directly with customers and doing away with middlemen? Are you able to dispense with the services of a large number of salesmen?—A. I should say the number has been reduced 30 per cent.

Q. About how many does that mean that you were able to let go?—A. We do not employ a great many salesmen. In fact, I presume there were 50 salesmen employed before the consolidation, and since then I think there are probably 35 to 40. There has been a reduction of not more than 10 or 15 men, and those men were shifted to other positions. No one lost his employment.

Q. You save more by means of dealing direct?—A. By going directly to the trade—the customer or as near as we can get—to the retail dealer.

Q. Are your workmen in many instances members of trades unions?—A. No; I do not think they are.

Q. In some cases?—A. I think there is some sort of community of interest, but no organized labor.

Q. So the question has not come up with you at all as to whether you would deal with unions?—A. We have never had a strike.

Q. Have you anything further with reference to the question of wages?—A. No; I think of nothing that has not been covered.

DIVIDENDS.

Q. Take up the point with reference to dividends.—A. (Reading.) Not knowing the earnings of all the plants that are now owned by the National Salt Company prior to organization, it is impossible to answer this question intelligently. The National Salt Company has regularly paid dividends at the rate of 7 per cent per annum on preferred stock since organization, and 6 per cent per annum on common stock one year after organization was completed.

Q. While you have not the data with reference to all these different establishments, I infer from what you said before with reference to the condition of the trade that you would consider the dividends considerably better than for each of the interests before?—A. No. It is pretty difficult to say. I can give you my own experience in localities you are familiar with. I owned a large part of the Cayuga Company's works at Ludlowville, N. Y., just above Ithaca. For 3 years prior to our selling out to the National Salt Company we made an average of 20 per cent every year. But that was a very well-located property.

Q. Was that a stock company?—A. Yes.

Q. How did the capitalization of that compare with the capitalization of the National Salt Company, if you make the comparison with the tangible assets?—A. It was taken in on the basis I suggested. They received in preferred stock the amount of their tangible assets.

Q. What was your capitalization before?—A. It was $150,000. They received, I think, $240,000 of preferred stock, which represented the original plant. You perhaps recollect that the plant was increased. Its original capacity was 300 barrels, and the capital stock at that time was $75,000. The stock was increased to $150,000 and the capacity of the plant was increased to 1,000 barrels a day. When we sold it to the National Salt Company it had a capacity of about 1,800 barrels a day, but the capital stock had not been increased. The 20 per cent earnings they made were not paid out in dividends.

Q. The 20 per cent was on the $150,000 capitalization?—A. Yes.

Q. And that was taken in on a basis of $240,000 preferred, which has since earned 7 per cent, and $240,000 common?—A. I do not like to state this, because I am not sure; but I should think it was about $200,000. I would not like to be quoted on that.

Q. Two hundred thousand dollars of common, on which there has been earned 6 per cent, as compared with the 20 per cent on the $150,000 before?—A. Yes.

Q. (By Mr. Phillips.) In these dividends what surplus have you put by?—A. Here is a copy of the annual report we send to stockholders.

Exhibit 2.—*Annual report of the National Salt Company for year ending December 31, 1900.*

National Salt Company,
26 Broadway, New York, March 27, 1901.

To the stockholders of the National Salt Company:

Your company was incorporated on March 18, 1899, under the laws of the state of New Jersey, and immediately thereafter acquired the following plants located in the state of New York: Cayuga Plant, Ludlowville, N. Y.; Ithaca Plant, Ithaca, N. Y.; Glen Plant, Watkins, N. Y.; Perry Plant, Perry, N. Y.; Kerr Plant, Rock Glen, N. Y.; Bradley Plant, Warsaw, N. Y.; Empire Plant, Warsaw, N. Y.; Gouinlock No. 1, Warsaw, N. Y.; Gouinlock No. 2, Warsaw, N. Y.; Hawley Plant, Warsaw, N. Y.; Warsaw Plant, Warsaw, N. Y.; Pearl Plant, Pearl Creek, N. Y.; Pavilion Plant, Pavilion, N. Y.; Leroy Plant, Leroy, N. Y.

These plants are capable of producing about 90 per cent of the evaporated salt manufactured in the state of New York.

In October, 1899, your company purchased the entire capital stock of the United Salt Company, an Ohio corporation which owned three plants at Cleveland, one plant at Pomeroy Ohio, one plant at Akron, Ohio, and leased four plants located in Meigs County, Ohio.

In October, 1899, your company purchased the Morton Plant at Wyandotte, Mich.; the Eddy Plant at Saginaw, Mich.; and leased the following plants located in the state of Michigan: The Tecumseh Salt Company, Ecorse, Mich.; Marine City Stave Company, Marine City, Mich.; Thomson Brothers, St. Clair, Mich.; and acquired by contract about 70 per cent of the production of salt in the state of Michigan.

In January, 1900, your company acquired the entire capital stock of the Hutchinson-Kansas Salt Company, subject to a bonded indebtedness of $300,000 outstanding and maturing January 1, 1912, owning the following plants: Hutchinson Plant, Eastern Plant, Crystal Plant, G. & H. Plant, Star Plant, Western Plant, Morton Plant, New York Plant, Riverside Plant, Royal Plant; and also leased the property of the Hutchinson Packing Company, Hutchinson, Kans.

In February, 1900, your company acquired 1,326 shares of the 1,950 outstanding shares of the Lone Star Salt Company, a Texas corporation owning plants located at Grand Saline, Tex., and Colorado City, Tex.

PHYSICAL CONDITION OF PROPERTIES.

It has been the policy of your board of directors to concentrate the manufacture of salt in as few plants as possible, running those plants to full capacity. Such plants have been kept in a high state of efficiency and are to-day in a better physical condition for the economical manufacture of salt than when they were purchased. This policy has resulted in the closing of some of the smaller and not so well located plants, some of which have been dismantled and others diligently cared for.

CAPITAL STOCK.

The amount of capital stock issued is:

Preferred	$5,000,000
Common	7,000,000

There remains in the treasury for the benefit of the corporation:

	Shares.
Preferred	297¼
Common	1,640¼

All clases of stock have the same voting power. The preferred stock is non-cumulative, and is preferred not only as to dividends but as to assets in the event of dissolution. No mortgage or bonded indebtedness can be created without the consent of at least 75 per cent of the outstanding capital stock. Therefore the preferred stock has every right of a bond excepting the privilege of foreclosure.

DIVIDENDS.

Your company has paid continuosly dividends on its preferred stock since organition. By resolution of the directors at their meeting in April, 1900, the common stock was placed upon a 6 per cent per annum basis and quarterly dividends at that rate have been paid.

SURPLUS.

You will observe by the treasurer's report herewith submitted that after the payments of dividends and writing off $204,784.58, a surplus remained of $778,949.32.

The policy of your directors is evidenced by the fact that less than one-half of the earnings in 1900 were disbursed as dividends. They believe your interest is best served by the creation of a large surplus and at the same time pay regularly to the stockholders the established rate of dividends.

ACCOUNTS.

The accounts of your company are under supervision of the Audit Company of New York, whose report is contained herein.

Respectfully submitted.

A. S. White,
President.

TREASURER'S REPORT.

To the President and Board of Directors of the National Salt Company.

Gentlemen: I herewith submit my report of the financial condition of the company as of December 31, 1900. The accounts have been audited by the Audit Company of New York, who have certified to the correctness of the same, as follows:

National Salt Company, condensed statement, December 31, 1900.

ASSETS.

Plants		$8,518,306.36
Company's treasury stock and stock of constituent companies		3,262,790.62
Accrued earnings constituent companies		309,182.62
Advances, prepayments, etc		79,576.04
Cash in banks		210,207.25
Accounts and bills receivable		499,856.70
Inventory, December 31, 1900:		
Salt, supplies, etc	$1,228,997.05	
Less agents' advances and charges	303,089.57	
		925,907.48
		13,805,827.07

LIABILITIES.

Capital stock:		
Preferred	5,000,000.00	
Common	7,000,000.00	
		12,000,000.00

Accounts and bills payable and accruals			$801,877.75
Deferred payments (securities purchased)			225,000.00
Surplus, January 1, 1900		$303,144.88	
Net earnings, year 1900	$1,267,569.65		
Less dividends paid in 1900	586,980.63		
Surplus from earnings of 1900		680,589.02	
Total surplus		983,733.90	
Written off by order of board of directors, Jan. 16, 1901		204,784.58	
Net surplus			778,949.32
			13,805,827.07

We have audited the books and accounts of the National Salt Company and constituent companies for the year ending December 31, 1900, and we certify the above statement to be correct.

THE AUDIT COMPANY OF NEW YORK.
THOMAS L. GREENE, *Vice-President.*

NEW YORK, *March 25, 1901.*

All doubtful accounts receivable have been charged off, and the item of accounts and bills receivable is considered collectable without discount. The inventory is based on the cost of the salt, supplies, etc., which is considered conservative.

Respectfully submitted.

JOHN ALVIN YOUNG, *Treasurer.*

DIVIDENDS (CONTINUED).

Q. (By Mr. PHILLIPS.) The dividend does not represent your total earnings by any means?—A. No.

Q. They include the surplus as well as the dividends?—A. Yes. The earnings last year were $1,267,569.65; dividends paid $586,980.63, leaving a surplus from the earnings of $680,589.02. Of this we wrote off $204,784.58.

Q. How do you account for your stock being quoted so low in the market when you are paying 7 and 6 per cent?—A. I do not know. That is a Wall street problem. I think the disposition of the public is to be very careful in investing in industrials, and I think very properly so.

Q. You consider your preferred stock the primary and initial security?—A. Yes.

Q. There are no bonds?—A. There are no bonds, nor can any be created without the consent of at least 75 per cent of the stockholders.[1]

Q. So there is no primary obligation back of the preferred stock?—A. No.

Q. Is there any regulation as to the limit of the preferred stock?—A. It is preferred not only as to dividends, but as to assets in case of liquidation.

Q. (By Mr. JENKS.) Cumulative?—A. Non-cumulative. Indeed, it has practically every right of a bond except that the dividends are non-cumulative instead of being cumulative and it has not the right of foreclosure; in other respects it has every feature of the bond.

Q. (By Mr. CLARKE.) Have the preferred stockholders voting power?—A. The same as the common.

Q. (By Mr. PHILLIPS.) You speak of this consolidation enabling you to make a fair profit. What would you consider a fair profit?—A. That is a pretty difficult thing. I think every man has his own opinion on that.

Q. (By Mr. LITCHMAN.) I wanted in connection with my question to ask one other. The par value of stock is $100?—A. Yes.

Q. Both preferred and common?—A. Yes.

Q. (By Mr. PHILLIPS.) Would you consider it a pretty fair profit to pay 6½ per cent on both your preferred and common stock in average dividends, and then lay by pretty nearly the same amount for surplus?—A. Yes. You understand in times like this the demand is enormous; everything is rushing, and we expect to make better profits than in times like 1893. You will observe that on our capitalization and the quantity of salt which we handle it is only necessary to make about 4 cents per barrel to pay a dividend of 7 per cent on our preferred stock, and 5 cents more per barrel would pay at the rate of 6 per cent on the common. That is a total of 9 cents per barrel. That does not seem to be any great imposition.

Q. (By Mr. JENKS.) The barrels selling for what?—A. It varies in different markets. The retailer's profit will be two or three times that.

[1] See provisions of Articles of Incorporation, p. 269.

EFFECTS OF THE COMBINATION UPON COMPETITORS.

Q. Now, if you will take up the next question.—A. Effects on competitors. I am unable to answer that.

Q. You have already spoken of having since your organization bought up several plants of competitors. About how many?—A. Yes. Immediately upon organization we acquired the New York properties and subsequently we took in other properties. Our organization was never complete until we acquired the properties in New York, Ohio, Michigan, Kansas, and Texas.

Q. You say that since your organization was completed you have practically not bought in any?—A. That is right.

Q. Do you know of any of your competitors having gone out of business?—A. No.

Q. Generally speaking, so far as you can judge from the markets and from the reports of your agents, do the prices of your competitors follow yours?—A. Yes; they follow us—in most cases they get a little less money than we do—that is, they cut our price just enough to get the business away from us. In some cases they quote the same price and competition ensues. At the present time we happen to be under our competitors in some divisions—some departments.

Q. So far as you recall at the present time, none of your competitors have been compelled to stop business under the force of your competition?—A. Oh, no; certainly not.

Q. (By Mr. FARQUHAR.) Have you only one works in Michigan—the Wyandot?—A. Two.

Q. Is the product of the Saginaw Valley as much as it has been?—A. No; it is decreasing very rapidly, because the manufacture of salt in Michigan is largely connected with the manufacture of lumber, and there are very few logs to be had in the Saginaw Valley; and the industry there, so far as lumbering is concerned, is confined to planing mills and things of that kind.

Q. Has the market for Michigan salt been circumscribed much in the last six or seven years?—A. No. As to the market for Michigan salt: On the west the line is the Missouri River, although I think they go out in Montana and that country, via Duluth and the Great Northern road; on the south they cross the Ohio and go down into Tennessee, and east they go down into northern Indiana. They do not get into Ohio very much. It is all defined by freight rates; you can swing a circle around each section.

Q. You would say the Michigan trade is a severe competitor of your company?—A. No. Before the consolidation the Michigan manufacturers were very severe competitors of the Kansas manufacturers and the Ohio manufacturers. It was like the Irishman's family. They would all fight among themselves, but all flock together to fight the common enemy in any other field.

Q. (By Mr. PHILLIPS.) What per cent do you own in the New York field?—A. About 90.

Q. (By Mr. CLARKE.) Have any of your competitors improved their processes since the organization of your company?—A. Oh, yes; they have to keep up with progress.

Q. You think that is one of the effects of your organization upon your competitors, then?—A. Yes; I think they have to tone up to the higher standard.

FOREIGN COMPETITION—THE TARIFF ON SALT.

Q. (By Mr. FARQUHAR.) While we are on this question of competitors, what competition do you meet from foreign salt makers?—A. Not very much. That question is governed by freight rates. Foreign salt can only be sold along the seaboard or within 300 or 400 miles of the seaboard. Our principal competition in former times came from England, where the industry is controlled by the Salt Union. The United States was the dumping ground for their surplus product. It came over in ships as ballast usually. Some years ago I made an investigation which showed that the average freight rate from Liverpool to the various Atlantic ports was 3 shillings per ton of 2,240 pounds, or, say, 75 cents, and the nearest point of production to these same markets was the New York field, where the freight rate was about $3 per ton. So that the duty of $1.60 a ton which this Government imposes really helps the transportation people. I might say there never was a pound of salt exported in a commercial way until last year, and I have just had a telegram from our San Francisco man saying they have sold the first cargo of salt in Japan.

Q. (By Mr. JENKS.) Where have you been exporting this last year?—A. A little to the West Indies and a little to London, but very little. It is like carrying coals to Newcastle.

Q. (By Mr. FARQUHAR.) Do you compete with any of the finer grades of dairy salt, like the Ashton?—A. Yes.

Q. How far does that enter into consumption in this country?—A. To a very limited extent.

Q. Has there not been a good deal of prejudice in the minds of American farmers for that salt over all others?—A. Yes.

Q. Are your qualities such that they are now convinced the American salt is as good?—A. The best and the poorest salt is made in the United States. That is why I say we are endeavoring to tone up the entire industry to make the best we can possibly make. We can make the best; we have the raw material here, but manufacturers do not seem to make the effort, or did not know how to make the proper quality of goods, and many of the American consumers, getting this poor quality of product, consider it is all poor; then they go to the other extreme and buy the very finest grades of English salt.

Q. (By Mr. LITCHMAN.) I have not heard your answer to my question as to how the price at which you sell for export compares with the domestic price.—A. We sold at a delivered price. I think it was about 15 per cent less than the current price in San Francisco.

Q. Will you explain that difference?—A. Competition; that is all.

Q. How far are you shielded from competition in this country?—A. We have none—no shield, no protection whatever.

Q. You are protected by the tariff?—A. There is a tariff of $1.60 per ton. The price of our salt at the point of production is less than the price of English salt at the point of production; but the transportation from Liverpool to such markets as they can reach is perhaps 30 per cent of what it costs us to reach those same markets.

Q. (By Mr. PHILLIPS.) Does this tariff make up that difference so there is none imported now of any consequence?—A. Yes; I think that is correct. The tariff enables us to compete with the English salt in markets where it is now entered.

Q. In New York, Boston, and the seaboard?—A. Yes.

Q. (By Mr. FARQUHAR.) In other words, has not the tariff since 1890 confined the competition to 200 or 300 miles from the seaboard instead of maintaining a monopoly farther inland?—A. It has no influence on the inland business whatever. For instance, the freight from New York to Chicago on a barrel of salt would be about 80 cents. Salt is selling in Chicago for much less than that. So, if they gave the salt away in New York they could not transport it to Chicago. It is purely a matter of transportation.

Q. (By Mr. PHILLIPS.) Do you get lower freight rates than your competitors on account of your very large production?—A. No. We use the published tariff rates.

Q. You use them absolutely?—A. Yes. Strange, isn't it? It is due to the interstate-commerce law.

Q. (By Mr. LITCHMAN.) It is claimed you have a special advantage in the market on salt by reason of the tariff. Will you make that point a little clearer?—A. We have some advantage at the Atlantic seaboard. We are enabled to overcome the Englishman's low freight rate. A cargo of salt, for example, can be shipped from Liverpool to Savannah, Ga., at an average rate of 3 shillings per ton. The freight from the nearest producing point, which is the New York State field, to Savannah is about $3 per ton as against the Englishman's freight of 75 cents.

Q. Your claim is that advantage disappears when you reach a point where the transportation is equal, as I understand it?—A. Yes.

Q. (By Mr. PHILLIPS.) Do you supply Savannah with salt, or is it supplied by England?—A. We supply it.

Q. You pay that amount of freight more than they do?—A. Yes. We do not put a price on our salt and say, If we can not get that price we will quit business; but we meet competition. We have it from all sides, abroad, and at home in the different fields, from Liverpool, and from the West Indies (in the case of salt made from sea water by solar evaporation). We make such prices as the conditions warrant, always trying to get a profit, but sometimes selling at a loss.

Q. How can you get a profit in Savannah when you have to pay $3 a ton as against their 75 cents?—A. We do not always do it. We do not always do business at a profit; sometimes we do it at a loss.

Q. Certainly it would not allow a very considerable profit if sold there?—A. I said a few minutes ago that the average price of our salt at the point of production is less than the Englishman receives for his salt at the point of production, notwithstanding the fact that we pay considerably more for our labor than they do, if I am correctly informed by representatives that I sent over there to ascertain the conditions.

Q. Still that difference would not make a difference of $1 a barrel at the point of

production, and yet there is $3 freight to Savannah as against their 75 cents?—A. Not per barrel; per ton.

Q. (By Mr. JENKS.) There is the tariff of $1.60 to be added?—A. That is right.

Q. (By Mr. LITCHMAN.) Seventy-five cents, as I understand, is the transportation rate, and there is the tariff of $1.60—that would make $2.35, still leaving a margin of 65 cents against you.—A. Yes.

Q. You have either got to come to that with your price of salt or the market goes abroad, doesn't it?—A. That is right, and we get down.

Q. (By Mr. PHILLIPS.) Who pays for this if you sell it below cost?—A. Somebody pays for it. You see that brings up the same point I made a little while ago. A cargo of salt coming in from England moves in quantities, say, of 2,000 or 3,000 tons. That must be received by the merchant in Savannah. He must have his profit for handling it; but instead of selling to that merchant in Savannah, we cut him out and go right around him and sell to his trade. That is the way we are able to compete.

Q. Does any English salt go to Chicago by water, either by the Lakes or up the Mississippi?—A. A little English salt goes into Chicago and other western points, and is used for the packing of meats for export. On this salt there is a rebate of the duty.

Q. I want to ask you further if the shippers, so far as your knowledge goes, use any English salt for anything except their export meat?—A. I do not think they do. The quantity of English salt that they use is very trivial.

Q. (By Mr. FARQUHAR.) The tariff on salt under the tariff of 1897 is how much per barrel?—A. It is 8 cents per 100 pounds; that would be nearly 24 cents per barrel. It is 12 cents per 100 pounds in packages, but very little of it comes in packages except the fancy grades like the Ashton that you mentioned a while ago.

Q. (By Mr. LITCHMAN.) Does the salt that is imported come in vessels that are used to take out cargoes of domestic products?—A. Yes.

Q. They frequently bring it over as ballast?—A. They do.

Q. And for that reason the importers can get a lower rate of freight than would be normal under equal conditions of imports and exports?—A. Yes. A ship could not handle salt at 75 cents per ton. It costs at New York 15 cents a ton for stevedoring and I suppose it must cost about the same in Liverpool. When the salt arrives at the southern port it costs 25 cents, approximately, to get it out of the vessel and on to the dock. There would be an expense of 40 cents per ton for terminal charges at either end or at both ends.

Q. To be deducted from the 75 cents?—A. Yes; that would leave 35 cents per ton as the net income on that cargo of salt.

Q. (By Mr. KENNEDY.) Is your cargo to Japan going as ballast?—A. Well, I do not know whether it is or not. It is based on a freight rate of $2.50 a ton, which does not seem to me to be very much of a ballast rate.

COMPETITION MET BY DISCRIMINATING PRICES.

Q. (By Mr. PHILLIPS.) Where you have competition at one point do you sell lower at that point in order to meet it?—A. We have to or we do not sell at all.

Q. When in competition at that point you sell lower, do you also reduce the price at other points?—A. Not unless we have to. We are governed by the same general laws that govern all business.

Q. That is, where there is competition you sell low, and you recoup yourself off the general market?—A. Certainly. And if we find it necessary we sell salt at less than cost.

Q. Is that fair to the competitor, do you think?—A. We are not looking out for his interests.

Q. Is it fair to the community?—A. I think it is. It is only a teeter board where it evens up on the average.

Q. Doesn't the public get the worst of it?—A. No; they can not get something for nothing. They can not expect to buy salt continually at less than the cost of production. It depends on whose interest you are trying to serve. If you are trying to serve the interests of the smaller manufacturer, we ought always to let him have the market at a large price; if we are interested in the consumer, I think it is fine for him when the manufacturers start to fight. He enjoys it; it means cheap salt.

Q. It is not fine when it falls on him to suffer by this competition?—A. That is true, but he gets his innings after a while. We do not in any one of these districts have a complete monopoly. We do not own all the salt-producing capacity in Kansas. There is somebody else there, and we can not put the price up in Kansas to an extravagant point to kill off the competition that we may have in New York or make up to us for the price there.

Q. But can you where you have no competition?—A. There is not a town in the country where we have no competition. I mean there is not a town in the country whose market it is not possible for our competitors to reach, if they desire to.

Q. (By Mr. CLARKE.) How much do you depend on trade-marks, and upon the alleged superiority of your product for holding your customers and getting new ones?—A. Well, it is difficult to estimate the value of that. Customers prefer to use a brand of goods that has given them satisfaction, and with which they are familiar, rather than to try something else. They are content even though the new brand may be better. I can not tell you the value of the trade-mark. I think, generally speaking, it secures the business at even figures at all times.

ADAPTATION OF SALT BUSINESS FOR UNIFIED CONTROL.

Q. (By Mr. PHILLIPS.) Will you take up the next question?—A. I understand the next question to be the adaptation of the salt business for unified control. It is peculiarly adapted for unified control, first, because of the improvement in quality of salt produced; second, because of the ability of an organization owning plants in different parts of the country to make deliveries of the product from the nearest point of production; third, because it is impossible for one plant to supply the purchaser with a car-load of assorted grades of salt for dairy, table, stock, pickling, preserving, and for refrigeration purposes. No one plant provides all of these various grades of salt.

If a plant is producing table salt and should attempt to ship it to a man that wanted table salt in less than car-load lot the freight on less than a car-load lot is more than double; so it is economy to have an assorted car—an advantage to the purchaser.

BENEFITS AND EVILS COMING FROM INDUSTRIAL COMBINATIONS—INDUSTRIES ADAPTED TO LARGE SCALE PRODUCTION.

The next question is (reading): "The benefits coming from such a combination, with some information as to the kinds of business adapted for large combinations." Answer. The benefits to the consumer that will flow from this organization are a better quality of salt and a lower price than they have heretofore paid. This will be accomplished by more intelligent and improved methods of manufacture and distribution, and the elimination of the middleman's profit. I am of the opinion that the great commodities like iron, coal, sugar, oil, salt, etc., are best manufactured and distributed by a large organization rather than by smaller individuals, because these articles can best be produced and distributed by a concern producing an enormous quantity of goods at the minimum of fixed charges for administration, superintendence, etc., while paying the minimum market price for labor.

Q. (Reading:) "Evils of combination, with some consideration of the kinds of business ill-fitted for centralized management."—A. The only evil that can result to the public is from the ability of the combination to demand exorbitant prices. This is not possible except in a monopoly created by the Patent Office or by the gift of a franchise by the state, thereby eliminating competition. Industrial organizations have absolutely no protection from competition, and their success depends entirely upon their ability to produce a better quality of goods and sell at a lower price than the individual producer.

I consider impracticable combinations of articles where personality or individuality is a large factor. For instance, it would be impracticable to have a combination for the manufacture of clothing or millinery goods, gas fixtures, or of any goods where the public taste is capricious. This is for the very reasons stated a little while ago, that organization means system, and system means uniformity—everything alike. You can not cater to the various tastes and whims of the public. You must give one standard and you must make that standard high to meet the demands of the few at least.

Q. (Reading:) "Suggestions for legislation on the subject of industrial combinations."—A. Remedial legislation does not seem necessary, for an evil which will now prevail will regulate itself, unless, indeed, the Government desires to exercise the sovereign right of taxation for revenue purposes, in which event I would suggest the creation of a commission with power to regulate interstate commerce, to compel full reports of operations, to assess a tax upon excessive earnings, first having due regard for the wages of those engaged in the industry, and for the capital employed.

I think I have answered all the questions that you have asked me.

Q. You have spoken in that paper in regard to a large combination or plant serving the public better and producing a better article at a cheaper price. Therefore you are in favor of concentration of capital. Is it not a fact, then, that in almost every industry, taking the freight into consideration, a given sized

plant can produce cheaper and serve the people in the main much cheaper than one that covers the whole country?—A. No; I do not think so.

Q. Have these large combinations as a rule, where there is a small plant built and serving the community, not an advantage either by freight rates or by coming into that particular place and selling their articles cheaper there and thus destroying competition?—A. I do not know about other large concerns; I can only speak of our own practice and experience. In the first place we started out having the trade. We inherited it; it was one of the things that was handed down to us—although not entirely so, because there were people in the business for themselves (and they are not in business for their health), and they have just as much right to a part of the trade as we have. But, generally speaking, we have the trade and somebody comes in to get it away from us. If we are giving a satisfactory kind of salt and satisfactory service, the only way to get that trade is to cut the price. We meet that price and sometimes cut lower. It is simply a fight to hold the business or secure it.

Q. Can not any great plant that has largely control of the markets on account of its immense capital and wealth destroy competition wherever it arises by selling at a low price?—A. But it is all the time coming. They can kill it for a little while perhaps; kill it off in one place, but it comes up somewhere else.

Q. Do you not think they have done it in this country pretty effectually in some places by their capital, even though they pay equal freight rates?—A. I do not think it is so much a matter of capital as it is of brains and energy. You used the words concentration of capital. I would like to touch upon that. I have written a little memorandum anticipating you would bring that up on the subject of trusts. To some the word "trusts" is an offensive name. I think it is entirely appropriate. (Reading:) I believe they will become trustees for the conservation of labor, for the conservation of capital, and for the conservation of energy; that they will stop waste and extravagance. While they were not organized for philanthropic purposes they bid fair to become public benefactors by stopping overproduction and waste and extravagance—the curse of labor and capital and consumer alike. No one is benefited by it in the long run. By producing a high standard of quality of goods at minimum cost, and distributing to the consumer direct, without the intervention of middlemen, at reasonable figures, they are bringing about this result.

Trusts are not combinations of large capitalists, but a community of small capitalists; they do not concentrate wealth in the hands of the few, but distribute it in the hands of the many, because of the opportunity of the public to become partners through the purchase of stock. We hear a good deal nowadays about the "community of ownership." It would seem the "community" is really the public. The list of stockholders of the National Salt Company shows a distribution of stock at the rate of 52 shares to each stockholder—each 52 shares representing about $3,100 of investment at to-day's market price of the securities. It is a distribution of wealth, not a concentration of it.

Q. How many stockholders did you say there are?—A. I think some fourteen hundred-odd.

Q. (By Mr. Jenks.) The majority of the stock of the company is held by comparatively few?—A. I think around our board of directors there is perhaps 20 per cent of the stock—possibly 30. I could not tell without figuring it up. But the distribution is very wide, and particularly in our preferred stock. It seems to me we have all the Mary Joneses and Lizzie Smiths and Annie Browns in creation, and it is held not only in this country. Recently I had my secretary look over the list of stockholders, and he informed me that 8 per cent of our stockholders were Canadians. Our stock is distributed from the Atlantic to the Pacific, and 1 man in Belgium has some.

Q. Do you supply any salt to Canada?—A. We do not. Canada has a duty against us of 5 cents per hundred pounds, and free salt from England.

Q. Is salt manufactured in Canada to any extent?—A. Oh, yes; at Windsor, Ontario, opposite Detroit, and at Goderich, on Lake Huron.

Q. You spoke a moment ago of the power of a large company to regulate production—regulate the supply to the normal demand. Would you consider that a matter of much importance?—A. Only in this way: If any commodity is produced without regard to the consumption, it is only a question of time when that production must cease, and goods that are made when there is no demand for them get out of condition—depreciate in value—and there is a general waste resulting; that is, so far as the goods are concerned. I do not think it does any community any good to run a factory 24 hours a day, 365 days in the year, for a portion of the time, and then shut down completely and leave everybody in distress. They get used to eating mushrooms, and then they get nothing to eat, and it goes very hard.

Q. (By Mr. Litchman.) To what extent is the ownership of stock in your company concentrated in a few hands, so far as the control of the corporation is concerned?—A. I said that around our board of directors there is probably represented 20 to 30 per cent of the stock. The control is not vested in any one man, and I suppose it would probably take at least—I am guessing at it—at least 100 or 200 stockholders to control the corporation.

REMEDIAL LEGISLATION.

Q. (By Mr. Phillips.) You say that this large concentration of capital in trusts serves the interest of the people and the manufacturer. Now, do you mean that they should have absolute control of the prices of a great commodity, such as salt, iron, or oil, and could they be trusted to regulate prices?—A. No; you will have to regulate the trusts.

Q. You think their caprice would be such that they would be likely to sell too high, and they would have, in a sense, the taxing power in that commodity?—A. The word caprice is amusing. I think they are moved by the same motives that move all humanity, to get all they can, particularly in this system of individualism under which we are living. But I think, inasmuch as they derive the right to live from the state, the state has the right to say in what way they shall use that right. If the subject is handled intelligently, and perhaps some tax placed on what might be considered excessive earnings, there will be no excessive earnings; the consumer will have a sufficiently low price so that the earnings will simply justify wages for labor that are fair, and a fair return to capital.

Q. (By Mr. Litchman.) Do you think that, if there is not this assurance and conduct in management, there will very soon be a public sentiment that will demand a supervision under some sort of government control?—A. I do, indeed. I think it is the wisest thing in the world for capital. If there is not, I fear they will get into trouble.

Q. (By Mr. Clarke.) Would not the effect of a tax on what you call excessive earnings be to cause a larger sum to be charged off to depreciation or improvement account?—A. Oh, yes; that is bookkeeping. You must make such provisions and regulations as will prevent that.

Q. (By Mr. Farquhar.) Could you not in your case, or in the case of railroads, put it in as equipment or in other ways so it would not be seen at all for purposes of taxation? Instead of issuing bonds to pay for extensions, could you put the earnings in equipment and extension?—A. There are various ways of doing it. I take it that anyone who had charge of this matter would see that the statements were truthful.

Q. But there could be no charter framed forcing a railroad not to make its extensions from its surplus instead of issuing bonds for its extensions?—A. I suppose not.

THE TRUSTS VERSUS INDUSTRY ON A SMALL SCALE.

Q. (By Mr. Jenks.) About how much capital, in your judgment, would it take in localities in central New York suited for this business to establish a thoroughly well-equipped salt plant that could manufacture the salt as cheaply as you can?—A. About $200,000.

Q. Do you think that from the completeness of your organization and your better facilities for distribution that in competition as against others you have no really material advantage?—A. No. I think we suffer from the popular prejudice. Everybody is down on trusts; it is the popular thing. The question does not seem to be understood.

Q. Do you find that your customers object to buying from a trust when the prices are lower?—A. No; I do not think they would. I think the stock arguments of our competitors are that they are poor little fellows and we are a great rich corporation and so forth.

Q. But do you think that argument, as a matter of fact, cuts much of any figure when it comes to buying salt?—A. It does among the smaller purchasers in the country districts, but when you come to the merchant in the town it makes less difference. The higher you get up in the educational line the less that argument is used.

Q. Speaking generally, then, would you be inclined to think these advantages you have spoken of in centralized control are enough to more than offset any prejudice of that kind in the mind of the purchaser?—A. Yes; generally speaking, they will buy goods from the man who produces the best quality and sells at the lowest price.

Q. You think you have something of an advantage in competition against these smaller manufacturers?—A. No advantage that they can not get.

Q. By doing as big business?—A. Yes; or by as intelligent management.

Q. You lay stress on intelligent management rather than on the power of capital or advantages in organization?—A. Yes; of course capital buys the best ability, and it is able to make experiments to produce better goods or cheaper goods; that, perhaps, the individual could not do.

PUBLICITY AS A REMEDY FOR THE EVILS ARISING OUT OF INDUSTRIAL COMBINATIONS.

Q. (By Mr. Phillips.) You have spoken of one remedy in regard to trusts where there are excessive profits, and that is taxation. Have you any other remedy to propose that would be beneficial both to the people engaged in business and to the community at large in case of excessive profits being charged by large combinations?—A. No.

Q. You would be favorable to public inspection of the accounts of these trusts?—A. I have written a little memorandum on publicity. I am in favor of publicity. Our company gives its stockholders full and complete information, and I have submitted to you one of our annual reports; there is everything in it that there is on our books. Our books and accounts are under the supervision of, and are audited regularly by, professional chartered accountants of the highest standing, who are appointed by the board of directors. Publicity dispels prejudice, doubt, and suspicion as to the methods of business procedure and as to the financial condition of the corporation. I think that would be of more benefit to the corporation than any possible harm that might come from it. The truth is always welcome.

Q. Has it not been a fact that these large combinations have objected to this very thing?—A. Because they have no protection. You are a business man and you would not invite your competitor across the street to come in and look over your books——

Q. (Interrupting.) How does it come that you do it and at the same time say that it would not be fair to require others to do it?—A. We do it frankly, but I do not blame people who do not do it. We do it because we have nothing to hide.

Q. Should any great concern have anything to hide? When they are chartered by the public have not the public a right to know?—A. Their competitors, I think, should not know all about it.

ANTI-TRUST LEGISLATION.

Q. (By Mr. C. J. Harris.) Have you been driven out of business in any state yet by anti-trust legislation?—A. I don't know whether we have been driven out; we have been constantly attacked; we are a favored sport for the attorney-generals.

Q. (By Mr. Phillips.) In what states have you been attacked?—A. The great state of Ohio and the great state of Michigan—of course.

Q. Have any of these actions that were brought against you been decided?—A. No, they have not; no, I think they are slumbering somewhere. Mr. Monnett, formerly in Ohio—he is out of business—and in Michigan the attorney-general was defeated for reelection; so that is the end of that suit. I don't think any of them have been sincere. I think it is all the work of demagogues.

Q. Do you think the trusts had anything to do in the defeat of these people politically?—A. I do not know whether the trusts had; I know we had not.

DISPENSING WITH MIDDLEMEN.

Q. (By Mr. A. J. Harris.) You say that you are distributing as far as possible to the consumer and doing away with the middleman. Could you explain to the commission how you are doing that?—A. Why, simply by appealing to the consumer direct—that is, we can't get to the consumer, but we can sell to the retail grocer, who passes goods in small quantities to the consumers. We appeal to him by personal solicitation of salesmen and by letters.

Q. Do you have more than one groceryman selling your salt in small places?—A. We sell to anybody who will pay for it.

FACTORS DETERMINING THE PRICE OF SALT.

Q. A few years ago I could buy salt, retail, at 90 cents a barrel. Now, I think they ask about \$1.40 a barrel.—A. Fifty cents advance. Well, that is due to several causes. Everybody is "taking a little off the top," as they say. The price of cooperage stock has advanced about 60 per cent. I can't tell you the cause of it; the cooperage stock men say the material is getting scarce—trees don't grow any more,

and so on. The price of labor has advanced; the price of coal has advanced; transportation has advanced; all this and more too contributes to higher prices.

Q. (By Mr. CLARKE.) Have not prices been abnormally low, so that there was no opportunity for people to take a little bit off the top?—A. Well, we thought they were abnormally low. The statement I read there speaks of the competition. It does not require knowledge of the salt business to understand that salt at 40 cents a barrel, when the barrel itself is worth 20 cents, leaving, say, 20 cents for the salt—280 pounds—is not a very exorbitant price. If it were all profit it would not be very large.

Q. (By Mr. C. J. HARRIS.) What percentage, according to your experience, would you say that freight rates have advanced in the last 2 years?—A. An average of about 30 per cent. Not only have the freight rates been advanced, but the minimum car-load rate has been advanced, whereas formerly 30,000 pounds were acceptable as a car-load, now it is 40,000 pounds. It requires more expense to load a car of 40,000 pounds than one of 30,000. It is an economy to the railroad, but a burden to the receiver and shipper.

Q. You have no cross freight rates?—A. We keep away from that, and our prices of salt, of course, are governed by competition. We endeavor to base them on the lowest freight rate. In other words, it is to our interest to have prices so low—say, for example, in your own town in Ohio—that neither the manufacturer in New York state nor the manufacturer in Michigan can ship there. At the same time, as far as possible, consistently with these conditions, we realize for ourselves the best prices. Now, our competitor in Ohio has the same opportunity that we have.

Q. At what points in Ohio is your competition?—A. At Pomeroy, at Wadsworth, and at Rittman.

Q. Is there any competition on the lake?—A. There is not.

Q. And we who prefer the lake salt to the Kanawha salt can not get it?—A. Well, salt is made at Wadsworth and at Rittman, which, as you recall, is near Akron, and is from the same rock salt strata as the product at Cleveland, and there is no reason why it should not be as good.

Q. Do you handle any rock salt?—A. Yes, we handle more or less, which we purchase from the mining companies and distribute with other grades of salt.

Q. What advance has there been in the price of rock salt per 100 pounds in the last two years?—A. I am not exactly familiar with their prices, but I should say an advance of perhaps 10 per cent.

Q. Would such an advance warrant a retail dealer in doubling the price of two years ago?—A. Oh, no. The package of salt that is ordinarily used by the consumer is the small bag. The retail grocer used to buy this for 2 cents. It contained 5 pounds of salt, and he retailed it for 5 cents; he accordingly made 3 cents on it. Now he pays about 2¾ cents for it, that three-fourths cents representing the advance which we have made, due to the increased cost of manufacture, and all these items which go to make up the delivery price, so he is still retailing the same package of salt for 5 cents, but he is not making quite as much as he used to. However, I do not think he is suffering very much as long as he is making 2¼ cents on 5 cents' worth of salt.

Q. But rock salt is usually bought in large quantities, is it not, even by the consumer?—A. Yes; I think the average price to the consumer is about $20 a ton delivered at various points of the country. Fourteen dollars represents the middleman's profits.

CONTROL OF SALT LAND.

Q. (By Mr. FARQUHAR.) Does your company own or lease the land on which your wells are located?—A. They own it.

Q. You have no leased lands where your wells are situated?—A. No, the wells are owned in fee simple.

Q. (By Mr. PHILLIPS.) How much ground is generally necessary for a well?—A. A well is about 8 inches in diameter.

Q. Yes, but how large a field do you own for the plant?—A. That is pretty hard to say; when you go 1,000 feet below the surface, it is difficult to tell whether you are taking salt from your own land or from some other land. The land is so cheap that we usually have 40 or 50 acres.

Q. Do you think you ever get off your own land on to some others'?—A. We don't think of that very long; it is impossible to tell about it. We have found by experience, for example, that two wells may be put down at the same time 1,500 feet apart, and in three years be united. Now the shape and the size of the cavity we have no idea of.

Q. How would you know when they were united?—A. Why, we put water down one well and it would come up the other.

Q. Well, the area of this could be ascertained by boring down through the strata at various points?—A. Yes; but there is a better method of calculation. We know the exact weight of a cubic foot of rock salt, and by figuring up the number of pounds or of tons of salt that the property works we can tell exactly what has been taken out of the earth.

REMEDIES FOR THE EVILS ARISING OUT OF INDUSTRIAL COMBINATIONS.

Q. (By Mr. CLARKE.) I would like to ask a question. If trusts are not an evil, why speak of remedies for trusts?—A. Well, everybody seems to be searching for a cure-all.

Q. Is not that because everybody assumes they are an evil?—A. I think it is.

Q. You think they are not?—A. I do not believe they are necessarily an evil. Anything can be made evil by the manner in which it is conducted, but the fact that it is a combination of interests does not necessarily make it follow that it is an evil. There is not the opportunity for evil. We have no public franchises; you do not protect us in any way. A railroad has a franchise from the state; it is protected; you can't parallel the road. These street cars here—you can't put a parallel line on Pennsylvania avenue. They are not subject to competition, but we can't have a customer on Pennsylvania avenue exclusively. We are constantly open to competition.

Q. The remedies, then, that you would suggest would be remedies for prevention of possible abuses by trusts?—A. Yes; to prevent abuses.

Q. (By Mr. FARQUHAR.) Your remedy, then, would be supervision, regulation, and publicity?—A. Yes.

Q. Don't you think that for the safety of the public great corporations handling the stocks of thousands of innocent people ought to be under greater state supervision than are general corporations or individual firms?—A. Yes; but I do not know how you could prescribe it in our corporation. I presume you refer particularly to accounting.

Q. Certainly.—A. We have done everything we can to assure our stockholders that records are properly kept. I have no more to do with the books of our company than you have. They are entirely under the supervision of the audit company of New York, who direct how the accounts shall be kept, and who periodically send their men to audit them.

Q. Are you incorporated under the laws of New Jersey?—A. Yes.

Q. Do you think that the laws of New Jersey make sufficient demands upon you as regards accounting, for the safeguarding of its own interests, and for the intelligence of your stockholders?—A. Well, that is a question that the stockholders can best answer themselves—one of individual opinion. What would be satisfactory to one man would not be satisfactory to another. At our stockholders' meeting I observed that the man who does the most talking is the man who has the least stock, and that he usually rambles along lines totally irrelevant. I do not mean that by way of criticism, but it is very difficult to anticipate the desires or requirements of different people.

Q. Well, the question was this, whether you thought that the accounting that was asked through your charter—i. e., the annual statement that you are required to give to the state of New Jersey—was sufficient to give the stockholders an intelligent knowledge of the business?—A. No; I don't think that it is. I do not think that the stockholders are sufficiently informed. I do not recall exactly what the state requires, but I think it is very little. There seems to be a competition in various states—Delaware and New Jersey. They seem to be in competition to see how large franchise fees they can secure. Neither of the state's laws are very strict; they don't require a great deal. We are very glad to give more information than they ask. I do not believe that state regulation of these things is at all wise. Such attempts will certainly never succeed.

Q. Then will you have it through the Internal-Revenue Department?—A. Through the Federal Government. If you pass laws in one state the corporation will go over into another state and beat them.

Q. How could you get jurisdiction over companies other than interstate companies?—A. Let the Federal Government exercise supervision and issue a Federal charter.

Q. How would Federal jurisdiction do if all of these corporations are incorporated by the state or the United States?—A. First-class.

Q. And then have Federal jurisdiction in the examination of books and accounts?—A. Yes.

Q. (By Mr. LITCHMAN.) Are you familiar with the recent decision of the court of errors and appeals in New Jersey affecting corporations, virtually requiring that stock should be issued for actual value, and that the minority stockholders should have the right of review?—A. Yes.

Q. Do you think that is in line of good policy for the state?—A. Excellent.

STATE CORPORATION LAWS.

Q. Why do the different corporations go to New Jersey for charters?—A. Well; I really do not know. I think it is very fashionable, and it does not cost quite as much as it does in other states. I have forgotten just what the incorporation tax of New Jersey is.

Q. One-tenth of 1 per cent of the stock issued. Is the fact that New Jersey is near to New York City a factor in it?—A. Why, I think it is convenient, perhaps, but that is no factor at all. I think most of the Jersey corporations meet once a year in Jersey for a few hours, and that is the end of it.

Q. (By Mr. PHILLIPS.) Which do you consider, Delaware or New Jersey, the most liberal in granting charters?—A. That is a legal question which I could not pass on. From what I have heard I should guess that West Virginia is the "happy home."

Q. (By Mr. LITCHMAN.) And yet most of those large corporations incorporate in New Jersey, notwithstanding that fact?—A. Yes; New Jersey gives a stamp of regularity and respectability.

Q. (By Mr. PHILLIPS.) Have you anything you desire to state before closing?—A. No; I think of nothing. If you would like a copy of our charter and by-laws I will be glad to send them to you.

Q. Yes; we would be glad to have you send them.

(Testimony closed.)

EXHIBIT 3.—*Extract from certificate of incorporation of National Salt Company.*

The capital stock shall be of 2 classes, preferred stock and common stock; $5,000,000 of the capital stock may be preferred stock, but at no time shall the total amount of the preferred stock issued exceed two-thirds of the actual capital paid in cash or property.

The power to fix the amount to be reserved as working capital for the corporation is hereby given to the directors, and the right to dividends from profits shall be subject thereto.

The preferred stock shall receive dividends at the rate of and not exceeding 7 per cent in each year from April 15, 1899, but such dividends shall not be cumulative, and if the net earnings of any year declarable as dividend shall not be sufficient to pay for such year 7 per cent upon said preferred stock, the same shall not be made up from any profits of any later period. The balance of the net profits of the company declarable as dividends shall be distributed among the holders of the common stock.

The par value of the preferred stock shall, in the event of the dissolution of the company and division of its assets, be paid in full before any sum whatever shall be paid in liquidation on account of the common stock, and thereafter the common stock shall be entitled to the entire assets remaining.

No mortgage shall be created or assumed by the company unless there shall be first obtained the consent in writing of the holders of 75 per cent of the preferred stock outstanding at the time, and also the like consent of holders of 75 per cent of the outstanding common stock.

WASHINGTON, D. C., *May 16, 1901.*

TESTIMONY OF MR. CHRISTIAN KLINCK,

Meat Packer.

The commission met at 2.15 p. m., after recess, Chairman Kyle presiding. At that time Mr. Christian Klinck, of Buffalo, N. Y., meat packer, was introduced, and, being duly sworn, testified as follows:

Q. (By Senator KYLE.) State your full name, address, and business to the stenographer.—A. Christian Klinck; Buffalo, N. Y.; business, pork and beef packer.

GENERAL COURSE OF THE PRICE OF SALT IN LAST TEN YEARS.

Q. (By Mr. JENKS.) In your packing business you have been a buyer of salt for some years?—A. Yes.

Q. What has been the general course of prices of salt for the last 8 or 10 years?—A. I have a statement here that I had taken off my books of the prices for the last 10 years of salt and of some other supplies that we bought.

Q. What has been the general course of prices of salt?—A. (Reading:) We buy all our salt by the ton. These prices are delivered at the packing house in Buffalo: In 1891, $3.25 per ton; in 1892, $2.85 per ton; in 1893, $2.50 per ton; in 1894, $2.50 per ton; in 1895, $2.50 per ton; in 1896, $2.50 per ton; in 1897, $2.50 per ton; in 1898, $4.05 per ton; in 1899, $4 per ton; in 1900, $4.50 per ton; in 1901, $5.70 per ton.

Q. What, in your judgment, was the cause of this very rapid increase in the price of salt from 1898 on?—A. I presume it was on account of the trust. I do not see any other reason. Probably through the panic times, when salt sold for $2.50, there was no profit in it, and there may have been a small loss, but the price ought not to have been advanced to $5.70; that is sure.

Q. (By Senator KYLE.) Have you the prices prior to 1890?—A. No.

Q. What, according to your remembrance, was the price during the eighties?—A. I think it ran along between $3.25 and $3.50 a ton.

Q. What was the lowest price you read?—A. $2.50.

Q. That is considerably below the normal price of salt?—A. I think so. I think there was no money made on salt at $2.50, and probably a little was lost. During those years there was not a business that made any money.

Q. But during the eighties the average price, as you remember it, was about $3.50?—A. Yes; as far as I remember it. I never bought salt cheaper than $2.50.

Q. (By Mr. CLARKE.) By the trust you mean the National Salt Company?—A. Why, yes; that is the only source of supply we have.

ORGANIZATION OF AN INDEPENDENT SALT COMPANY—PURCHASE OF THE LEROY PLANT.

Q. (By Mr. JENKS.) Do you remember about what time the National Salt Company was organized?—A. I think it was 2 years ago last December.

Q. You said you had to get all your supplies from them because there was no other source?—A. Yes.

Q. Where are you getting your salt supply now?—A. We formed a company. Salt went up to such an enormous price that we did not know where it was going to stop; it might go on up to $10. So we formed a company to make our own salt.

Q. What is the name of your company?—A. The Empire State Salt Company.

Q. When was it organized?—A. About 2 months ago.

Q. Where do you get your brine?—A. We have 2 farms of 200 acres adjoining the National Salt Company in Leroy, N. Y., and we were going to drill and pump out of the same brine basin that they used. That was the object we had when we started in—to use the same basin they used. Ordinarily it takes 2 years to get a new salt plant in order, because you have to drill down and saturate the rock. I am not in the salt business and never have been, but they tell me it takes about 2 years to form a basin big enough to pump out brine so you can make salt. We hunted up the territory and found that it was more profitable to pump out of the same basin that they did, if we could.

Q. So you have land which is adjoining?—A. Yes.

Q. How close can you drill?—A. We can drill within about 50 feet.

Q. Have you since put down a well?—A. No; we have since bought the National Salt Company's plant.

Q. You have bought out the entire plant at Leroy?—A. Yes.

Q. (By Mr. PHILLIPS.) What is the capacity of your plant now?—A. When in complete order it has a capacity of 1,000 barrels of salt a day. But it is very much out of order. It has 16 boilers, and 10 boilers are useless, and I presume they sold it out to us for the reason that we would probably have pumped the brine away from them. I do not think we could have bought this land from them under any other circumstances.

Q. (By Mr. JENKS.) And you were able to buy the plant upon such terms that you thought it would pay you better than to put up a new plant?—A. Well, when we organized and talked the matter over thoroughly, we thought we would ask the National Salt Company whether they would sell us the plant. We were a little afraid that when we had gone there and pumped out of the same basin there would not be brine enough to support two plants; that is the reason we asked them to sell us their plant. I think they took the same view, that there was not brine enough

there to run two plants. Moreover, their plant was crippled and run down so much that I suppose they did not care about laying out more money on it, because they have so many plants that they do not run.

Q. Had they been running this Leroy plant all the time until you took it?—A. Yes, in a small way; what they were able to run with the boilers they had.

CAPACITY OF LEROY PLANT—SALE OF THE PRODUCT.

Q. Is the plant large enough to more than supply your own needs so that you can enter the market as a seller of salt?—A. Yes.

Q. (By Mr. LITCHMAN.) You consider that your salt plant has a potential capacity for all your immediate future demands?—A. Oh, we can supply the whole country with our plant. We have 270 acres of land there.

Q. (By Mr. PHILLIPS.) It is all underlaid with salt?—A. Yes; and there is plenty of salt land about it. Why, there is salt enough in the State of New York to supply the world for many years.

Q. About what proportion of the output do you yourself use?—A. We packers in Buffalo use about 4,000 tons of salt a year, I should judge.

Q. What proportion of the output of this plant will that be?—A. Only a small proportion when the plant is complete. At the present time, with the condition the plant is in, we could not have much salt.

Q. Do you anticipate entering the market and selling in competition with the National Salt Company?—A. Yes; after the 1st of January. We have bought the plant out, but they would not sell out under any other conditions except that we should sell them, at a price agreed upon, our surplus salt, from the time of purchase until the 1st of January.

Q. Did they put any limitation on you after the 1st of January?—A. No.

Q. You can then sell it to whatever jobbers you like?—A. After the 1st of January to any person.

Q. Do you care to state the price?—A. We get $3.25 for surplus salt, free on board cars.

Q. And what is the price they are asking consumers outside?—A. When this took place I had a contract with the National Salt Company this year for salt at $5.70. Mr. Dole had a contract for 1,680 tons at $6.40, and by this deal we had those two contracts canceled. I took the ground that as I had invested so much money I did not propose to pay out my money to somebody else for salt, and for that reason we had these two contracts canceled. So we can use our own salt, and then sell to them the surplus above what we ourselves need, from now until the 1st of January.

Q. (By Mr. JENKS.) Do you find that the cost of manufacturing salt is such that you can sell to them at $3.25 and make a profit?—A. Well, if we had not thought it was a profit we would not have made the contract.

THE COST OF MANUFACTURING SALT—WHAT PER CENT FREIGHT FORMS OF SELLING PRICE.

Q. How much do you estimate your salt will cost you delivered in Buffalo from your Leroy plant?—A. That depends on the condition and the size of the plant. After we bought them out they told me within the last month that it cost them $2.45 to manufacture the salt at Leroy; but with a large plant, where there are good facilities and everything is in good running order, salt can be made cheaper than $2.45.

Q. What is the freight on salt per ton in large quantities from Leroy to Buffalo?—A. Eighty cents per ton.

Q. So that therefore you will be able, you think, to supply yourself with your own salt at about $3?—A. If it cost $2.45 to manufacture and 80 cents freight, it will be $3.25.

Q. I understood you to say you expected to make it cheaper than $2.45?—A. Yes, after we get in good running order.

Q. That is, you are now supplying yourself at $3.25 a ton instead of $5.70?—A. No, we have to pay the market price to our company. Of course there are other stockholders, and it would not be fair to them if we got our salt at cost and the other stockholders did not get any dividend. We agreed to pay the market price for the salt we buy of our company. Then the other stockholders have an equal chance at the profits with us.

Q. Then you are yourself paying to your company——A. (Interrupting.) No; we are not paying $5.70. The National has already come down 30 cents a ton.

Q. So the price is $5.40 now?—A. Yes.

Q. And that is what you are paying?—A. Yes; they came down 30 cents a ton, and I suppose they will come down more before long.

Q. Do you know of any other prominent competitors of the National Salt Company in your locality besides yourself? You will be competitors, of course, after the 1st of January. Are there other competitors?—A. Not in Leroy.

Q. Is there any other elsewhere in the State?—A. I believe there is one company starting on Seneca Lake, but, as I understand, it will take them a long while before they get salt. The National Salt Company told us that we were the earliest to get salt into the market by reason of our purchasing the plant already in operation.

Q. Have you definite enough knowledge of the salt business to give an estimate as to what proportion of the selling price of salt is to be reckoned to freight charges, speaking generally, for a big establishment like the National Salt Company that sells throughout the country? On the average, would the freight on salt be 25 or 50 per cent of the ordinary price that the National Salt Company gets?—A. I do not know. You see I have not been in the business long enough as yet to answer that.

Q. Now, when you spoke of $2.45, or what it costs to manufacture in Leroy, did you reckon in the depreciation of the plant also?—A. The office expenses and such like, and land, I think, were figured in. I do not know whether there was anything else figured in or not.

THE NATIONAL SALT COMPANY'S PLANTS AND ITS CONTROL OF THE SALT TRADE.

Q. (By Mr. Phillips.) Did the National Salt Company shut down any of the works that they purchased?—A. I think they shut down a majority of them.

Q. (By Senator Kyle.) Where are their different plants located?—A. There are some in Warsaw, some in Seneca Lake. There is the Crystal Salt Company not far from Warsaw.

Q. Are there some in Kansas?—A. Yes; there are some in Kansas. Why, they own salt works in California and all over the country.

Q. All the salt works in the United States were in the National Salt Company, were they?—A. There are only one or two in New York—the Worcester and the Chauncey—outside.

Q. (By Mr. Phillips.) Are they large?—A. The Worcester plant is a very large one.

Q. (By Senator Kyle.) Could you not have bought salt of them instead of the National?—A. They generally make what they call table salt, put up in bags, and we do not use that.

Q. The kind of salt you use you had to buy of the National?—A. Yes.

Q. (By Mr. Phillips.) Is there, to your knowledge, much complaint in your city in regard to this advance by the National?—A. Oh, there is complaint all over by all the dealers. There is naturally a good deal of complaining about the high price of salt.

Q. Is the grade of salt as good as it was formerly?—A. No; they do not make the grade of salt as good. They sell more moisture with it than formerly.

Q. You had to buy it just as they offered it?—A. We had to buy anything they gave us.

Q. (By Mr. Farquhar.) From what point did the Buffalo people receive their salt before you purchased the Leroy plant?—A. I have had my salt from Leroy for over 10 years.

Q. In that 10 years did Michigan ever come into the Buffalo market to compete?—A. They would not let Michigan or Ohio in. You could not buy a pound of salt from Michigan or Ohio or Canada. You either had to buy the salt of the National Company or import your salt from Europe.

Q. Were there any attempts made by the Saginaw people or others to get into that market during the 10 years or before?—A. I do not think so. I have tried frequently to buy salt from there. The last 6 months salt was sold cheaper in Cleveland than in Buffalo, and Buffalo parties ordered salt in Cleveland—barreled salt; but it was found out that they were shipping salt from Cleveland to Buffalo, and the National Company told the man who shipped salt down that if he did not stop they would stop selling him.

Q. (By Mr. Phillips.) They actually told him that?—A. Yes; so I was told.

Q. Is there any imported salt?—A. Not that I know of. I read in the paper that some was imported. It is very expensive. It costs a great deal more than the National salt; it is claimed to be better, but it costs a great deal more. There is a heavy duty on it.

Q. (By Mr. Jenks.) There are but few plants not owned by the National Salt Company?—A. There is an independent salt company in Ohio. It was selling salt in Buffalo about 2 weeks ago, and on the strength of that the National Salt Company came down about 30 cents a ton.

Q. (By Senator Kyle.) After the 1st of January do you anticipate a trade war with the National Company?—A. I do not know what to anticipate after the 1st of

January. Certainly we are not going to sell out for anybody. We are going to stay in the business for our own protection; that is what we gave them to understand.

Q. (By Mr. JENKS.) Did they offer to buy out your concern?—A. No; they did not.

CONDITIONS OF PRODUCTION AT THE LEROY SALT PLANT.

Q. (By Mr. PHILLIPS.) You spoke about the basin of the Leroy plant becoming exhausted. How could it become exhausted with such a great thickness of salt extending along there for miles?—A. For instance, you have a basin here, and there are probably three or four holes where the water goes down and it is a self-feeder; the lakes furnish the water.

Q. (By Mr. JENKS.) You do not pump water down?—A. You have to in a dry season; and the reason that you have to pump water in a dry season is that there would not be enough brine there. The more water you put in to boil the brine, the more it costs to evaporate it; but you must have water enough—brine enough; you may run the basin full of water without having the brine strong enough to make salt.

Q. (By Mr. PHILLIPS.) The brine exists in the salt, then?—A. The salt exists in the brine.

Q. But it is not, then, solid rock salt; it is rather in the shape of brine?—A. The salt itself is hard as rock; it is rock, and when you drill it out there is this water. Sometimes when you drill there is plenty of water; sometimes when you get down to the salt rock that water runs over and dissolves this solid rock into brine, and then you pump it out directly.

Q. Then the deposit of salt exists without brine in it, and you get down to it by drilling?—A. Yes.

IMPOSSIBLE PERMANENTLY TO MONOPOLIZE THE PRODUCTION OF SALT.

Q. (By Mr. KENNEDY.) Are the salt deposits so numerous and extensive throughout the United States that it is impossible for any company to buy them up and monopolize the business?—A. That can be done for a short time only. This combination will raise the price of salt and continue to fix it for 12 months longer; I do not think it will exist another year, and maybe not 6 months.

Q. Then your own experience shows that there can not be a monopoly?—A. Not for any length of time, because the supply of salt is so plentiful that where there is money in it everybody is anxious to make a little and to go into the business.

Q. (By Mr. PHILLIPS.) It does not require a large capital to start with?—A. Not so very large.

Q. Not so large as to build a rolling mill?—A. I do not know. We organized a company with $100,000 capital, and we have now in our company $100,000 capital and $15,000 surplus, all in cash, paid in.

Q. You can start a pretty fair plant on $125,000?—A. No; we have figured that a new plant would cost $150,000 to $200,000.

Q. It would not be very hard for independents to raise that sum of money with which to start a company?—A. Oh, we had no trouble to sell the stock.

Q. (By Mr. KENNEDY.) Did you say that you sunk your wells near the basin of the National Salt Company's works?—A. Yes.

Q. You invaded their territory and compelled them to sell out to you?—A. I do not know whether we compelled them to sell, but we thought we would secure an advantage in buying this land, as in this way we could get salt quickly.

Q. You believed if you bought that land it would compel them to sell out to you?—A. I think that the fact that we were going to pump the brine away from them, and that the plant they had was in a crippled condition, were the reasons they sold to us.

Q. Then the position of this so-called trust is not so very strong if an independent can invade their field and practically compel them to sell to him instead of the reverse, as has been the case with other trusts?—A. My opinion is that they are only strong for the time being.

Q. You do not consider this so-called trust in the same class with other combinations?—A. I do not know if there is any difference. Nearly everything I buy is higher. My supplies cost me now at least $30,000 or $40,000 more than they did three years ago, before these combinations were formed, and I do not get more. Salt is higher, packages are higher, steel is higher, tin is higher, and everything else, and it is a dead loss to me.

Q. (By Mr. PHILLIPS.) You have no doubt that it is on account of the combinations that these prices have advanced?—A. Certainly; it is nothing else.

Q. (By Mr. A. L. HARRIS.) Will you please state whether or not there are any

economies in production through these large combinations?—A. Oh, yes; there has to be nowadays in every establishment.

Q. Does the consumer get the benefit of that?—A. Well, it does not look so to me, because these people make such an enormous amount of money.

PRICE OF SALT VARIES IN DIFFERENT CITIES—FREIGHTS AND ECONOMY OF DISTRIBUTION.

Q. (By Mr. FARQUHAR.) Do you know where the Chicago packers get their supply of salt?—A. I could not say whether they get it from Michigan or Ohio, or where. I hardly think they get it from the State of New York. I think they must get it from some of the nearer plants.

Q. (By Senator KYLE.) Do you think they are forced to pay the same price you are paying?—A. That I could not say. The National Company has had different prices in different cities, I have been told. I know it is a fact that they sold salt cheaper in Cleveland than they did in Buffalo.

Q. (By Mr. CLARKE.) There is a large salt deposit near Cleveland, is there not?—A. Oh, yes; there is plenty of salt everywhere. There is no scarcity of salt rock in this country, only the trouble is that if you start a new plant it takes 2 years before you can get it in running order. If you could get salt in 2 weeks, everybody would make salt, and the high price would not hold 3 months.

Q. You know the prices are higher in some cities than in others?—A. Now, of course, I do not know how close these Cleveland people are to the city. They might be close by the city and the transportation might be less than it is from Leroy to Buffalo. There may be something in that.

Q. If you were to send salt from Leroy to Cleveland, you would have to sell it at a higher price than you would in Buffalo, would you not?—A. Oh, certainly; there would be more cost of transportation.

Q. Do you think it was economy for salt works in Michigan and Kansas to send salt to New York, and for salt works in New York to send salt to Michigan and Kansas?—A. I presume the salt in Kansas could not be disposed of at home, and they had to find a market somewhere else. I suppose that is the case, because if any factory can dispose of its product at home it is not going to send it far away and pay a big freightage.

Q. Was it not competition beyond the zones that the companies could naturally supply that formerly brought down the price of salt below the cost of production and transportation?—A. Oh, years ago, you mean?

Q. Yes.—A. Well, there were too many companies in existence and the times were hard, and, as with everything else in the East sometimes, there was an overproduction of everything. People got hard up and had to raise money, and they had to sell for what they could get. I know I sold lots of meat and lost lots of money. I believe that Cleveland cost me $50,000 the last time he was elected.

Q. (By Mr. PHILLIPS.) How did you lose that sum?—A. Lard went down to 3 cents, and sides came down, and when you carry a big stock it does not take long to lose $50,000 in that way. It is the shrinkage in the value and the price.

Q. (By Mr. CLARKE.) Was it because business was crippled and the purchasing power of the people impaired?—A. It was demoralized, because all the money was paid out of the United States Treasury and the Government had to borrow money. Who would expect to have any money if the Government has none? It created a panic.

COMPETITION WITH WESTERN PACKERS—THE QUESTION OF TRANSPORTATION.

Q. (By Mr. FARQUHAR.) How long have you been a packer in the city of Buffalo?—A. I have been in business since 1856.

Q. Are you engaged much in the packing of export products?—A. No; I do not export any.

Q. What effect have those large packing concerns in the West in respect to prices in such a city as Buffalo?—A. They can and do undersell us. Those western packers have an advantage. In the first place, they have a big advantage in transportation.

Q. Will you state to the commission how they have an advantage in transportation?—A. I can state a case where I know positively that they had such an advantage. They had a railroad rate in Chicago—it must be 5 or 6 years ago; the agent came up to Buffalo and I sold him a number of cars of meat, and he put it in his own cars; he put 33,000 pounds of meat in a car and the bills were made out in my office for 22,000. Now, when I ship anything out there, the railroad man takes the actual weight of every package that I ship out; but they ship it in their own cars, and I would like to see a railroad dispute how much they have in a car.

Q. Do you think that that gain is made simply by the ownership of their own cars?—A. Yes.

Q. If they had to take the general freight cars of the road they could not underbill?—A. No.

Q. Did you ever have an opportunity to underbill from Buffalo?—A. No; the railroad has a man there who takes the actual weights of the packages.

Q. You get your supply of cattle from the Buffalo market, do you?—A. Mostly; buy some outside once in a while.

Q. How does the price on the hoof compare with the Chicago market?—A. When we have to go to Chicago to buy cattle we have to figure on paying about 35 cents more per hundred pounds; that is the difference between the freight and the shrinkage of the cattle when you get them to Buffalo.

Q. Would you say that the Chicago packer of dressed meats could compete in the Buffalo market and undersell you?—A. Yes.

Q. Have you not a sufficient supply of cattle in the Buffalo market?—A. Oh, we have plenty of cattle and beef. I could supply the whole city without aid from Chicago or anywhere else.

Q. What is the reason that enables western packers to obtain these low rates as against the packer in Buffalo?—A. Of course it is natural for the railroads to give this advantage to the large shippers; they have so much freight and there is so much competition in Chicago about freight. You can read in the papers that where there is strong competition, they take freight from Chicago to New York for 10 and 12 cents a hundred. But we never get freight less than 16 cents a hundred from Buffalo to New York. It does not make any difference whether the railroad has any freight or not.

COMPETITION WITH WESTERN PACKERS—CONTROL OF THE RETAIL TRADE.

Q. Do these western packers have their agents in Buffalo? Do they sell to the local butchers?—A. Yes; they have gone so far as to sell at retail.

Q. At retail?—A. Yes; they do not sell so much beef as others, but we have pretty strong competition. Swift & Co. do the most business. Mr. Armour came there, and he sells mostly cheese, butter, and eggs. He runs all the middlemen down there and he has taken all the business away from the little dealers.

Q. (By Mr. Phillips.) Is that beneficial to the public or not?—A. I can not see how it can be beneficial to them.

Q. (By Mr. Jenks.) Does he make a lower price than the Buffalo dealer?—A. He has the advantage in this, that when he comes there and makes his prices we have to meet those prices, of course, or we can not do any business.

Q. (By Mr. Phillips.) Then do prices advance as a rule after they get a trade established?—A. No; everybody is fighting one another in Buffalo, and I guess it is so all over.

Q. (By Mr. Farquhar.) Are there many local butchers doing business in Buffalo now who buy and butcher and then retail?—A. No; they are not butchering. They buy all their beef from the beef trust and then sell. The can buy the beef cheaper. They are entirely out of the business of killing cattle.

Q. (By Senator Kyle.) Do you have all the facilities for manufacturing the by-products that they have in Chicago?—A. Just the same.

Q. (By Mr. Farquhar.) Does the advantage of the Chicago packer and seller consist in the fact that he is nearest the cattle supply, while you must transport cattle from Chicago to Buffalo?—A. Yes; if I should have to buy all my supplies in Chicago I could not exist an instant.

Q. So that yourself and Mr. Dole and other Buffalo packers are confined pretty much to the home market?—A. Yes. Mr. Dole has quite a lot of outside trade, an outside car-lot trade, and comes in contact with all these men in almost every city in the State of New York, but I did not feel like going into that without having more money than I have.

Q. Has this system established by Swift & Co. and others, and by Mr. Dole, in its uniform distribution all over the country been an advantage to the consumer of the United States?—A. I do not think so.

Q. Do you think that under the old way of butchering and selling by retail the consumers had more of an advantage than they have now in buying from these great concerns?—A. My opinion is that these large concerns are getting a good deal of money; they must make a big profit or else Mr. Armour and Mr. Swift would not have their millions. I will tell you how they do. For instance, in New York and Buffalo they have to sell at a close margin, but when they go into a country place where there is no competition the people have to suffer. They have to pay at least

2 cents a pound more than ordinary prices in the cities; and the large concerns have driven all the little butchers in these country places out of business.

Q. So the larger the city and the greater the competition, the better off the consumer is?—A. The consumer is more benefited in the large cities.

Q. And if there are any losses in the large cities these companies recoup in the small villages.—A. Yes.

THE PRICE OF TIN PAILS.

Q. (By Mr. JENKS.) You have been compelled lately to pay considerably more for the tin pails in which you pack your lard?—A. Yes; the price of tin pails has advanced, but still it is not as high now as it was in 1891. In 1891 we paid for tins to hold 10 pounds $8.75 per hundred, and now we are paying $7.25.

Q. Do you think that the decrease in price is due to the organization of the tin plate combination?—A. I think that the reduction in price is because there are a number of tin factories established here in this country, and we make the pails here instead of getting them from Europe.

Q. Has the price of these tin pails increased any within the last 2 or 3 years since the tin plate combination was formed?—A. In 1894 the price was, in May, $8.50, and in November, $6.75. In 1899 the price was $5.65; in 1900 the price was, in May, $7.55; in November, $7.25.

Q. The price of $8.75 in 1891 was for imported tin?—A. Tin was imported then.

Q. (By Mr. FARQUHAR.) The domestic tin is now $7.25?—A. Yes; $1.50 lower.

Q. (By Mr. LITCHMAN.) Does your submitted statement cover a number of years?—A. Ten years.

Q. What was the price in 1890?—A. I have the prices commencing in 1891.

PRICES OF WROUGHT-IRON PIPE, NAILS, PAPER, AND WOODEN PAILS.

Q. (By Mr. JENKS.) Now, besides tin and salt, what other product do you use the price of which has been increased owing to a combination in the business?—A. There is pipe.

Q. Wrought-iron pipe?—A. Yes. In 1892 the price was 33 cents per foot less 62½ per cent discount. In 1901, May, the price was 36 cents per foot less 65 per cent discount. That is a big advance.

Q. What is the price to-day?—A. The price to-day is 36 cents less 65 per cent.

Q. (By Mr. CLARKE.) Do you understand that that great increase in price was due to the power of the combination, or was it due to an extraordinary demand which set in as the result of the revival of business?—A. Oh, I think they both had something to do with it. It was the strong demand and the combine together, I guess, that brought it up to where it is, because to-day it is 36 cents, and last year it was lower than it is now.

Q. (By Mr. JENKS.) In what other lines do you find an increase?—A. In nails, for example; in 1891 nails, what we call 6d, were $2.20, and now they are $2.75. They are lower now than they were in 1889. In November, 1899, they were $3.50; in May, 1900, they were $2.65, and now they are $2.75.

Q. And what about other lines?—A. Paper advanced in the same proportion.

Q. Has there been any particular increase in the price of paper within the last 2 or 3 years since the organization of the International Paper Company?—A. We paid for paper in 1891 3½ cents per pound. Now it is 3 cents.

Q. Is the kind of paper you are speaking of wrapping paper?—A. It is manila paper. It is like this. [Indicating.]

Q. Do you know whether that is manufactured by the International Paper Company?—A. I do not know.

Q. Do you recall where you yourself buy it?—A. I can not tell; my son buys it. Straw paper was $1.55 per hundred in 1891, and now it is $1.25.

Q. What other supplies have advanced?—A. Wooden pails.

Q. Is there any combination that controls the manufacture of wooden pails?—A. Yes.

Q. What combination is that?—A. It is a combine in Erie, Pa.

Q. (By Mr. PHILLIPS.) Has there been an advance since that combination was organized?—A. Yes.

Q. How long ago was that?—A. Two years.

Q. You say there was an advance?—A. Yes; a very large one. We made them come down this spring. We generally make a contract for a year. We made them come down from $3.50 to $2.75.

Q. (By Mr. LITCHMAN.) What was the price in 1891?—A. It was $3.50.

Q. (By Senator KYLE.) How did you make them come down?—A. There was a new combination started up.

Q. Now, I want to ask you a question along that line. Your testimony goes to show that the salt trust is going to disintegrate?—A. I could not say that.

Q. You spoke of 3 or 4 different companies. They could not keep prices up to the figure you speak of, $5 and some cents?—A. I say they could not keep it up for a long length of time.

Q. That is the point I want to inquire about. Is not that statement true in regard to a good many things—the tin-pail trust and the wooden-pail trust and the paper trust?—A. I think that is so. I think wherever there is money to be made the American people will go after it.

PRICES OF KEGS, TIERCES, AND BARRELS, AND OF SIRUP.

Q. (By Mr. FARQUHAR.) Is there any advance in the price of kegs?—A. Here are some kegs that we use for pickling purposes. In 1891 they were 16 cents, and now 15 cents. They vary but very little in price.

Q. (By Mr. JENKS.) Is there also a combination in the making of kegs?—A. I do not think so. We buy all that we use, I think, in Connecticut. Saltpeter, of course, is imported. Tierces and barrels have declined since 1891. In 1891 we paid $1.50 for tierces; now we pay $1.30. For barrels we paid $1.25 in 1891, and now we pay $1.05. Of course this cooperage is all made by small individual coopers. There is no combination.

Q. What has been the general course of prices in regard to sirup?—A. In 1894 sirup cost 12½ cents per gallon; in 1901, 18½ cents.

Q. Do you know who manufactures the sirup which you buy?—A. We buy the sirup in New York from a large refiner.

Q. The American Sugar Refining Company?—A. Yes; and from other companies; we buy it by the carload.

RESULTS OF INTRODUCTION OF MACHINERY AND IMPROVED METHODS OF MANUFACTURE.

Q. (By Mr. CLARKE.) Has there been any advance in the prices of any of the commodities that you have turned out during this time?—A. Yes; prices vary very much. Our product now is from 25 to 30 per cent higher than last year.

Q. You are not a trust?—A. No; not a trust.

Q. Are you able to sell more goods than you sold in 1893, 1894, and 1895?—A. Yes; there is a better demand. People have more money with which to buy.

Q. (By Mr. PHILLIPS.) You have spoken of prices in 1891 and 1901; has not the cheapening of prices come about largely by the invention of new machinery and the employment of new methods of manufacture?—A. It may be true of some kinds of salt; but in our coarse salt it takes just about so much to manufacture it no matter what you do, and the production is no less and no more on account of machinery. I think they use about the same machinery to make the common coarse salt as was used 10 or 15 years ago. I believe they have new machinery to make the fine salt.

Q. (By Mr. JENKS.) In your packing business, are there not improved methods of handling, so you can do that work more cheaply than 10 years ago?—A. Oh, yes; the improvements continue to go on in all lines of business. We have improvements now over 10 or 15 years ago. All the heavy work now is done by machinery.

Q. (By Mr. PHILLIPS.) All products of iron have largely decreased in price on account of improved methods? It cost more to make iron 10 years ago, and all the commodities made of iron, than to-day?—A. I suppose they have improvements in all lines. In our business we have machinery to do all the heavy work. Ten or 15 years ago we scraped the hogs by hand; now everything is done by machinery. If we can introduce machinery to do the work we have to do so.

INCREASE IN AMOUNT OF BUSINESS—IMPROVED CONDITION OF LABORERS.

Q. (By Mr. CLARKE.) You employ more men in your packing industry than 10 years ago?—A. Yes; not many more than 10 years ago, but more than in 1895 and 1896.

Q. They do a different class of work?—A. Yes; and we can do the same kind of work with fewer men, because we have machinery to do the hardest work, which we did not have 10 years ago.

Q. (By Mr. JENKS.) Has your business increased decidedly in the last 10 years?—A. Well, the amount of business if reckoned in dollars and cents depends a great deal

on what the material costs. If hogs are high—as they are now in my business—the amount runs up high.

Q. Has your business increased, taking as a basis of comparison the number of barrels?—A. Yes.

Q. The labor cost is less per hundredweight?—A. The labor is less because machinery will do a good deal of the work that was formerly done by hand.

Q. (By Mr. CLARKE.) How long have you been in business?—A. Forty-four years.

Q. So far as general prosperity and the comforts of life are concerned, how does the present condition of labor in your line of business compare now with what it was when you went into business?—A. It has improved a great deal. People worked 12 to 16 hours per day when I went into business. I used to work 16 hours almost every day in the year. Then, too, people live better now. They live altogether differently. The condition of everybody has improved very much since then. The condition of the people at that time was very poor. Their pay was small, and it was in Mexican dollars and 6-pence and 3-pence.

(Testimony closed.)

EXHIBIT I.—*Prices of various commodities, as taken from the books of Mr. Christian Klinck.*

SALTPETER.

1891, May	per C..	$4.00
1892, May	do...	3.62½
1893, May	do...	3.50
1894, May	do...	4.37½
1895, May	do...	4.30
1896, May	do...	4.12½
November	do...	3.00
1897, May	do...	3.00
1897, November	per C..	$3.00
1898, May	do...	6.00
November	do...	4.50
1899, May	do...	3.40
November	do...	3.55
1900, May	do...	3.50
November	do...	3.40
1901, May	do...	3.20

SIRUP.

		Cents.
1894, May	per gallon..	12½
1895, May	do...	12
1896, May	do...	14½
November	do...	15
1897, May	do...	14½
1898, May	do...	17
1898, November	per gallon..	16½
1899, May	do...	17
November	do...	15
1900, May	do...	18
November	do...	18
1901, May	do...	18½

KEGS.

Date.	20-pound.	30-pound.	40-pound.	80-pound.
	Cents.	*Cents.*	*Cents.*	*Cents.*
1891, May	16	22	24	36
1892, May	16	22	24	36
1893, May	15	21	22	35
1894, May	15	21	22	35
1895, May	15	21	22	35
1896, May	16	21	22	35
1897, May	14	17	19	34
1898, May	14	17	19	34
1899, May	14	17	19	34
1900, May	15	21	22	36
1901, May	15	21	22	36

EXHIBIT I.—*Prices of various commodities, as taken from the books of Mr. Christian Klinck*—Continued.

TIN PAILS.

Date.		50-pound.	10-pound.	5-pound.	3-pound.
1891, May	per C.		$8.75	$5.50	$4.50
November	do		8.75	5.50	4.50
1892, May	do		8.75	5.50	4.50
November	do		8.50	5.25	4.25
1893, May	do	$31.50	8.50	5.25	4.25
November	do	31.50	8.50	5.25	4.25
1894, May	do	31.50	8.50	5.25	4.25
November	do	24.50	6.75	4.25	3.25
1895, May	do	24.50	6.75	4.25	3.25
November	do	19.00	5.80	3.75	2.75
1896, May	do	19.00	5.80	3.75	2.75
November	do	19.00	5.80	3.75	2.75
1897, May	do	19.00	5.80	3.75	2.75
November	do	19.00	5.80	3.75	2.75
1898, May	do	19.00	5.60	3.60	2.70
November	do	18.00	5.25	3.25	2.60
1899, May	do	20.00	5.65	3.65	2.80
November	do	20.00	5.65	3.65	2.80
1900, May	do	27.00	7.55	4.80	3.80
November	do	26.00	7.25	4.50	3.50
1901, May	do	26.00	7.25	4.50	3.50

WOODEN PAILS.

Date.		50-pound.	20-pound.	10-pound.
1891, May	per dozen	$3.50	$1.45	$1.30
November	do	3.30	1.40	1.25
1892, May	do	3.20	1.40	1.25
November	do	3.20	1.40	1.25
1893, May	do	3.25	1.45	1.30
November	do	3.25	1.45	1.30
1894, May	do	2.90	1.35	1.25
November	do	2.70	1.60	1.10
1895, May	do	2.50	1.30	1.10
November	do	2.50	1.25	1.10
1896, May	do	2.50	1.25	1.10
November	do	2.50	1.25	1.10
1897, May	do	2.50	1.25	1.10
November	do	2.50	1.25	1.10
1898, May	do	2.35	1.15	1.05
November	do	2.35	1.10	1.00
1899, May	do	2.25	1.10	1.00
November	do	2.25	1.10	1.00
1900, May	do	3.50	1.50	1.25
November	do	3.50	1.50	1.25
1901, May	do	2.75	1.45	1.25

PAPER.

Date.	Manila.	Straw.	Date.	Manila.	Straw.
	Cts. per lb.	*Cts. per C.*		*Cts. per lb.*	*Cts. per C.*
1891, May	$3\frac{1}{2}$	1.55	1896, November	$3\frac{1}{2}$	1.10
November	$3\frac{1}{2}$	1.40	1897, May	$2\frac{3}{4}$	1.00
1892, May	$3\frac{1}{3}$	1.65	November	$3\frac{5}{8}$	.95
November	$3\frac{1}{3}$	1.65	1898, May	$4\frac{3}{4}$	1.00
1893, May	3	1.85	November	4	1.00
November	3	1.40	1899, May	$4\frac{1}{4}$	1.00
1894, May	$4\frac{1}{2}$	1.20	November	$3\frac{1}{4}$	1.20
November	4	1.25	1900, May	$3\frac{3}{4}$	1.35
1895, May	4	1.15	November	$3\frac{1}{3}$	1.25
November	$4\frac{1}{3}$	1.15	1901, May	3	1.25
1896, May	$3\frac{1}{4}$	1.05			

EXHIBIT I.—*Prices of various commodities, as taken from the books of Mr. Christian Klinck*—Continued.

WROUGHT-IRON PIPE.

[2-inch pipe.]

Date.	Price per foot.	Discount.
	Cents.	*Per cent.*
1892, May	33	62½.
1893, May	33	62½.
1894, May	33	62½.
1895, May	35	75 and 10.
November	35	65.
1896, May	35	67 and 10 and 10.
November	35	67 and 10 and 10 and 10 and 10.
1897, May	35	67 and 10 and 10 and 10 and 10 and 10.
November	35	67 and 10 and 10 and 10 and 10 and 10.
1898, May	35	78.
November	35	67 and 10 and 10 and 10 and and 10 and 10 and 10.
1899, May	36	50 and 10.
November	36	50.
1900, May	36	50.
November	36	62½.
1901, May	36	65.

NAILS.

Date.	6d.	10d.	20d.
1891, May	$2.20	$2.00	$2.00
November	2.20	2.00	2.00
1892, May	2.10	1.90	1.90
November	2.10	1.90	1.90
1893, May	2.00	1.80	1.75
November	2.00	1.80	1.75
1894, May	1.75	1.50	1.40
November	1.75	1.50	1.40
1895, May	1.85	1.60	1.50
November	2.85	2.60	2.50
1896, May	3.10	2.85	2.75
November	3.10	2.85	2.75
1897, May	1.70	1.55	1.40
November	1.75	1.60	1.45
1898, May	1.75	1.60	1.45
November	1.75	1.60	1.45
1899, May	2.60	2.45	2.10
November	3.50	3.35	3.10
1900, May	2.65	2.50	2.25
November	2.65	2.50	2.25
1901, May	2.75	2.60	2.45

SALT.

Year.	Coarse, per ton.	Fine, per barrel.	Year.	Coarse, per ton.	Fine, per barrel.
1891	$3.25	$1.18	1897	$2.50	$0.71¼
1892	2.85	1.00	1898	4.05	1.17
1893	2.50	.76	1899	4.00	1.17
1894	2.50	.76	1900	4.50	1.20
1895	2.50	.76	1901	5.70	1.56
1896	2.50	.73			

EXHIBIT I.—*Prices of various commodities, as taken from the books of Mr. Christian Klinck*—Continued.

COAL.

	Per ton.		Per ton.
1891, May	$2.10	1896, November	$1.65–$1.85
November	2.10	1897, May	1.55– 1.65
1892, May	2.10	November	1.50– 1.65
November	1.95	1898, May	1.65
1893, May	$1.95– 2.10	November	1.55
November	1.95– 2.00	1899, May	1.45
1894, May	1.60– 1.85	November	1.45– 1.65
November	1.75– 2.00	1900, May	2.25
1895, May	1.50– 1.75	November	1.95– 2.00
November	1.70	1901, May	1.90– 2.00
1896, May	1.50– 1.70		

Date.	Tierces.	Barrels.	Date.	Tierces.	Barrels.
1891, May	$1.50	$1.25	1897, May	$1.15	$1.00
1892, May	1.45	1.15	1898, May	1.25	1.00
1893, May	1.35	1.10	1899, May	1.30	1.05
1894, May	1.30	1.10	1900, May	1.30	1.05
1895, May	1.15	.85	1901, May	1.30	1.05
1896, May	1.15	.95			

THE WALL PAPER COMBINATION.

WASHINGTON, D. C., *April 18, 1901.*

TESTIMONY OF MR. HENRY BURN,

President National Wall Paper Company.

The commission met at 10.58 a. m., Mr. Phillips presiding. At that time Mr. Henry Burn, president of the National Wall Paper Company, appeared as a witness, and, being duly sworn, testified as follows:

PERSONAL STATEMENT OF THE WITNESS.

Q. (By Mr. JENKS.) Will you kindly give your full name and address, please?—A. Henry Burn; 483–485 Fifth Avenue, New York City.

Q. You are president of the National Wall Paper Company?—A. I am.

Q. What is your general line of business now?—A. I am also president of the Robert Graves Company, manufacturers of wall paper.

Q. How long have you been engaged in that line of business?—A. Thirty years.

Q. We have asked you to come before the Commission in order to testify with reference to the National Wall Paper Company, the reasons for its organization, for its dissolution, and so forth. Perhaps you can best take up the matter and make the statement in your own way.—A. I have prepared a statement which will give the history of the wall paper business briefly. I have not been very elaborate on all points, but you can ask questions afterwards, if you wish. I have prepared the statement with a view to showing that the formation of the National Wall Paper Company was not a sudden inspiration, but was gradually brought about through influences extending over a period of years.

EARLY COMBINATIONS IN THE WALL PAPER BUSINESS.

During the last 30 years the manufacturers of wall paper have from time to time combined for the purpose of bringing about a uniformity of prices and terms of credit. The first of these arrangements was a simple agreement to maintain a certain schedule of prices and to give certain terms of credit. No provision was made for the enforcement of this agreement, and consequently no penalty could be inflicted for its violation. Notwithstanding this fact, the agreement remained in effect for several years and was fairly well observed, but the hard times that prevailed after the panic of 1873 caused so intense a competition for business that little regard was paid to the agreement and it was finally abandoned. For a number of years thereafter an open market prevailed, causing a considerable depreciation in prices and rendering the business unprofitable to the manufacturer.

HISTORY OF THE AMERICAN WALL PAPER MANUFACTURERS' ASSOCIATION.

The business reached such a low ebb that the manufacturers decided once more to harmonize, and as a result of their deliberations they formed the American Wall Paper Manufacturers' Association, through which the profits of the various manufacturers were pooled. This was about the year 1880, and as a general advance in the prices of raw materials took place about that time, and as the association comprised nearly every factory in the country, no difficulty was experienced in advancing prices. Aided further by the general prosperity of the country, the operations of the association proved quite profitable.

The agreements between the manufacturers and the American Wall Paper Manufacturers' Association were made from year to year and continued for a period of 8 years. Mutual interest alone held them together, for while each party to the agreement had to furnish security for the faithful performance of his contract, the amount of such security was insignificant compared with the volume of the transactions, and the forfeiture of same would not have caused a great hardship to any of the manufacturers.

The greed of a number of the manufacturers, however, did not allow this favorable condition of affairs to continue. They sold goods at less than scheduled prices, and to cover up the transactions failed to report the sales to the company. Fines were imposed for such violations when discovered, but they failed to check the evil, which continually spread, and this dishonesty finally led to an abandonment of the scheme. Undoubtedly, abnormally high prices led to the violations of the agreement in the first place.

FIERCE COMPETITION PREVAILED PRIOR TO FORMATION OF THE NATIONAL WALL PAPER COMPANY.

During the following five years an open market once more prevailed, prices were greatly reduced, and a number of manufacturers retired from business. Notwithstanding the competition and low price, however, a number of the more progressive of the manufacturers prospered.

The competition was most severe upon the dealers throughout the country, inasmuch as the value of their stocks depreciated largely with the advent of each new season, which brought with it a reduction in the price of goods; and this fact, furthermore, injured their credit standing and ability to meet their liabilities. The manufacturers were importuned to come together, so that uniform prices might be assured, and it was, perhaps, due as much to this demand from the dealers as from a desire to improve—or, rather, maintain—their own condition that a majority of the manufacturers finally decided to consolidate, and this brought about the formation of the National Wall Paper Company.

MOTIVES OF THE MANUFACTURERS WHO FORMED THE COMBINATION—THE FIRST YEAR'S BUSINESS.

The motives that actuated the manufacturers in thus coming together have a considerable bearing upon the subsequent operations of the National Wall Paper Company, into which they became merged.

While they were not averse to increasing their profits, most of them expressed themselves to the effect that they would be entirely satisfied if the new corporation would earn only a sufficient amount to pay them the same profits that they had been earning individually for several years. Their good faith in this respect was demonstrated by not listing the stock of the new company on the stock exchange, thereby preventing a possible speculation in the stock. Had they listed the stock at the time there is no doubt that most of it would have been absorbed by the public very quickly, but as a matter of fact, most of the original investors held their stock from the incorporation of the company until its liquidation.

They fully believed in the theory that has brought about most combinations of capital—that a consolidation of interests would bring about savings in the management and operation of the industry that in themselves would be a substantial profit—and acting upon this theory and assuming its correctness, one of the first acts of the company was to reduce the price 10 per cent.

The business of the first year yielded in profits about two-thirds of the amount that had been earned by the individual manufacturers who sold their plants to the National Wall Paper Company, and the lesser profit was attributed to the reduction in prices, the expense of the incorporation, which was all charged to expense account, and the inability to effect, during the first year, the economies that were contemplated. The panic of 1893, which occurred toward the close of the company's first fiscal year, also had some bearing on the subject.

ATTEMPTED ECONOMIES—ELIMINATION OF THE JOBBER AND DISCONTINUANCE OF CERTAIN FACTORIES.

In order to carry out the theory of economy, the company decided to dispense with the middleman, or jobber, and to offer its goods at a uniform price to all buyers; and in order to carry this into effect, they established branches in most of the large

cities of the United States, and, based upon the savings that the combination was expected to bring about, prices were reduced still further. The idea was by a reduction in prices to distribute to the public the profits that had heretofore been earned by the jobber.

The company, furthermore, closed up a number of the small factories which it had been operating, with a view to concentrating and increasing the output of the remaining factories. Theoretically, this was a good business proposition, but the effect was entirely different from that which had been anticipated.

The discontinuance of the factories already mentioned released from employment quite a number of persons for whom provision could not be made in the factories that were to be operated, and who were able to interest capitalists to engage in the manufacture of wall paper. The antagonism to the company that had been aroused among the jobbers—many of whom remained in the business—brought these jobbers to the support of the new factories, and assured to them a substantial business, which enabled them to obtain a foothold within a year that in an open market they could not have acquired in 10 years. The division of the business thus brought about prevented the National Wall Paper Company from securing the volume of business absolutely essential in order to render the business profitable at the low schedule of prices which it had adopted. The public, sympathizing with the new element and opposed on general principles to the large corporations, sometimes called "trusts," gave its support to the new factories and to jobbers handling goods made by the latter, and the resulting shrinkage of the company's business was so great that it failed to earn any money during the second year of its existence. Further economies were brought about which enabled the company to earn in the third year the interest on its debenture stock. In the fourth year the company absorbed one of its largest competitors, reversed its policy of not selling to the middleman, and, as a result, its earnings for that year approximated closely to the earnings of the individual factories prior to their absorption by the company.

CONSOLIDATION OF ALL INTERESTS IN THE CONTINENTAL WALL PAPER COMPANY.

The prosperity of the company during that year, however, brought about an increased competition which again rendered a reduction of prices necessary, and its earnings in the fifth year were consequently nominal.

It became apparent that the competition would soon reach such proportions that the company could only be conducted at a loss, and the advisability of dissolving it was seriously considered.

The new factories, also, were suffering from the competition and they realized that if the National Wall Paper Company should dissolve, and the former owners of its factories enter the field once more as individuals, the older factories, with their greater experience and resources, would have a decided advantage over the new factories. In order to avoid such a state of affairs, if possible, the new factories effected an organization of their own which made overtures for a consolidation of interests of the National Wall Paper Company with themselves, and as a result of such overtures, another company was formed styled the "Continental Wall Paper Company," which became a selling agency for all of the factories; and which became the purchaser of the product of all the factories, and, because of such fact, was able to earn substantial profits.

CONDITIONS LEADING TO DISSOLUTION OF THE CONTINENTAL WALL PAPER COMPANY.

The operations of the new company having been satisfactory for the first year of its existence, arrangements were made for its continuance for another year, and that year also proved prosperous.

It should, however, be said that because of the prosperity of the Continental Wall Paper Company in the first year of its existence, new factories were at once started, and in order to insure a continuance of the prosperity of the Continental Wall Paper Company in its second year, these new factories also turned in their products, and the knowledge that a market could be obtained by a new concern immediately upon its formation, brought still more factories into the field.

The second year of the Continental Wall Paper Company demonstrated its inability to control the middleman or jobber, who failed in many cases to live up to his contract to maintain prices, and long before the close of the second year it became evident that it would be to the best interests of all concerned that the operations of the Continental Wall Paper Company be discontinued and that the National Wall Paper Company also should be dissolved.

AMICABLE DISSOLUTION OF THE NATIONAL WALL PAPER COMPANY.

Inasmuch as the Continental Wall Paper Company had no property rights in any of the factories or in the National Wall Paper Company, its liquidation was a simple matter, but the dissolution of the National Wall Paper Company involved a much greater problem, in view of the fact that it had been in existence for a period of 8 years, that a number of the original stockholders had died, and the financial circumstances of many others had altered. Notwithstanding these discouraging facts, the attempt was made, and after a most laborious effort those who had interested themselves in the matter succeeded in getting practically every stockholder to agree upon an amicable dissolution of the company without resorting to the disastrous proceeding known as a receivership. The majority of the factories were purchased back by their original owners, and the transfers of these various businesses were brought about without the interruption of a single day's business.

During these 8 years the company had been kept well in hand, ably financed, and the subsequent amicable dissolution was rendered feasible largely because of the confidence that the stockholders had in the integrity of the management. The management of the company had throughout its career been in the hands of parties who while conducting an individual business had been most successful. It is but fair to assume that the same ability was brought to bear on the affairs of the company, and that the failure of the latter to conduct a continuously profitable business was due to conditions which the management could not control or overcome.

CONCLUSIONS AS TO THE EFFECTS OF CONSOLIDATION.

Briefly summed up, it may be said—

First. That consolidation does not benefit unless it controls, especially industries in which prices are not based on intrinsic value alone.

Second. That consolidation invites competition and antagonizes the public.

Third. That it aids labor in enforcing its demands, enabling it to concentrate its efforts on one concern instead of dividing same among a larger number. This, at least, was the experience of the National Wall Paper Company, as the following facts will demonstrate.

There are three classes of labor that should be considered.

First. The block cutters who prepare the patterns for printing and who, at the formation of the National Wall Paper Company, were receiving wages ranging from \$12 to \$18 per week. While this class of workers always had a union, it was not effective in advancing wages for its members because of the scattered location of the factories, but the formation of the National Wall Paper Company enabled them to concentrate their efforts against one concern, and, as a result, their wages steadily increased, the company agreeing to their several demands until they reached the high-water mark of last year, when they were receiving wages ranging from \$24 to \$35 per week.

The second and third class of workers operate together in the union termed "The Machine Printers and Color Mixers Union." Their wages at the formation of the National Wall Paper Company ranged from \$15 to \$20 per week. The minimum wages that the machine printers are now receiving are \$22 per week, and that of the color mixers \$25 per week.

EARLY COMBINATIONS IN THE BUSINESS WERE MERELY AGREEMENTS ON PRICES.

Q. (By Mr. JENKS.) You spoke of the early combinations that existed in the wall-paper business as being simply agreements upon prices and credit. As a matter of fact, did those agreements, made from time to time, keep the prices up pretty well?—A. The prices were not excessive nor the profit inordinate. There was a reasonable profit at that time on the business that was done by the manufacturers.

Q. How many of these agreements were there before the organization of the American Wall Paper Manufacturers' Association?—A. My recollection is there were 2.

Q. How long a time did each last?—A. I think the first one lasted for 2 or 3 years, and the subsequent one not over a year.

CONTROL OF PRICES BY THE AMERICAN WALL PAPER MANUFACTURERS' ASSOCIATION.

Q. You said that the American Wall Paper Manufacturers' Association was organized in 1880. Do you recall how long that association existed?—A. That lasted 8 years.

Q. During that time were the prices kept high enough and steady enough to enable fairly good profits to be made?—A. Prices were pretty high.

Q. In that case you thought too high?—A. Yes.

Q. So as to bring in outside competition?—A. Not so much outside competition as dishonesty among manufacturers who had agreements with the American Wall Paper Manufacturers' Association.

Q. Did the entire output lessen during that period?—A. No; it increased considerably.

Q. The prices, then, were not kept up through a limitation of the output—the manufacturers were able to get these higher prices without restricting their output?—A. And apparently without bringing about new competition.

Q. Could you submit as an exhibit a copy of this agreement of the American Wall Paper Manufacturers' Association?—A. I probably could; yes.

AGREEMENTS OF THE ASSOCIATION WERE ENFORCED BY MEANS OF FINES.

Q. You spoke of the fact that under that agreement various pledges were given, and forfeitures and fines of different kinds made. What was the general nature of these forfeitures?—A. There were no forfeitures; there were fines inflicted which in amount were supposed to be sufficient for the offense involved.

Q. Can you tell what the fine was?—A. No; I can not say. That was kept very confidential by the commissioner who acted on behalf of the association.

Q. Was the fixing of the amount of the fine a matter of discretion on the part of this commissioner?—A. Entirely.

Q. The different manufacturers belonging to this association then had simply chosen a commissioner, and his duty in case they violated the agreement was to inflict whatever fine he thought wise?—A. Exactly.

Q. Was there any effort made to enforce this penalty through legal process?—A. No.

Q. What was the intention regarding the enforcement of these fines? Was it understood that they could not be enforced through the courts?—A. Well, I do not know that that thought ever entered their minds, but there was no particular desire to make the affairs of the association public.

Q. What was the intention then as to the way in which these fines should be enforced if a man declined to pay? Was the plan for others to join and cut prices against him?—A. No; that would not help the case any. The commissioner had money in his hands at all times belonging to all these factories, and if they had not paid the fines he simply would have drawn upon the funds in his possession and charged it up against them.

Q. So that was the nature of the terms; each deposited with the commissioner a certain amount of money?—A. Yes.

Q. (By Mr. Phillips.) Was such an agreement a legal one?—A. The legality of it never was tested. That was in the days before pools and trusts were very common, and the laws had not been especially directed against them.

UNPROFITABLE CONDITION OF THE BUSINESS LEADS TO FORMATION OF NATIONAL WALL PAPER COMPANY.

Q. (By Mr. Jenks.) You said that after the dissolution of this American Wall Paper Manufacturers' Association and before the formation of the National Wall Paper Company the business had become unprofitable?—A. To a majority of the factories.

Q. Do you know whether there had been any failures in the business as a result of competition?—A. I can't recall any failures, but a number of manufacturers voluntarily gave up the fight—closed up their factories, and sold off their machinery to the best advantage.

Q. How many wall paper manufacturers were there in the country at the time who were important enough to be considered in this agreement?—A. About 25 or 26.

Q. How many under the pressure of this competition had to give up their business?—A. My impression is about 4.

Q. Then in 1892 the National Wall Paper Company was organized?—A. Yes.

THE CUT IN PRICES—FACTORS WHICH DETERMINE THE PRICE OF WALL PAPER.

Q. You spoke of the fact that prices were almost immediately cut 10 per cent. Was there in existence at the time what was considered a surplus stock, that it was thought desirable to be rid of?—A. No.

Q. The cut was solely because you expected to make economies, and because you could afford it, and had presumably thought you could extend your market by so doing?—A. The cut was entirely on new goods, and had no bearing on the stock on hand at all. It was the price that was established for the coming season on all goods contracted for, and all goods had to be manufactured for that purpose.

Q. You spoke in the summary of your discussion of the fact that in certain industries the prices were not based upon the cost of production. On what are prices based in the wall paper business?—A. The price of a piece of wall paper depends no more upon the intrinsic value of the articles that enter into its manufacture than does that of an oil painting upon the paints that go to make it up. It is purely an aesthetic value; we don't sell wall paper on the intrinsic value of the goods.

Q. The value depends on taste?—A. It depends on the taste that is brought to bear upon the article, or upon the field in which it is placed, upon the probable output, and a great many other considerations.

THE VALUE OF COPYRIGHTS AND PATENTS IN THE WALL PAPER BUSINESS.

Q. Are these patterns of wall paper nearly all copyrighted; are they controlled exclusively by the firm that makes them?—A. They can be made so, but that is not generally done, because the American public demands new designs every year, and it would not make much difference if some manufacturer should copy another's patterns for the following year; the latter would have something new on the market.

Q. So that, as a matter of fact, you consider that the possession of a pattern for more than a year is of no special advantage?—A. In some cases, but not as a rule.

Q. Are there patents of any especial value controlled by certain manufacturers?—A. There are from time to time. Manufacturers obtain patents on some process of manufacturing or for some special machine, and some of them also patent their designs.

Q. Are those patents generally considered valuable enough to give the manufacturer that possesses them any particular advantage over his rivals?—A. Simply the effect which the knowledge that a certain pattern is patented has upon the customer. He probably considers it of a little more value when the word "Patented" appears on it, and in that way probably it enables the manufacturer to get a little better price.

WHAT CONSTITUTES GOOD WILL IN THE WALL PAPER INDUSTRY.

Q. When you speak of the good will of the property that is transferred, one often understands by that a matter of copyright, or of possession of patents, or possession of trade-marks, or the possession of a general line of customers, and so on. In the wall-paper business what would you consider to be included under the expression "good will," and what elements did you take into consideration in the formation of your company?—A. Well, in a case of that kind I should construe the reputation of the manufacturer to constitute good will, and the further fact that he has already established a large connection with the trade, who are likely to continue dealing with him.

Q. Those you think are the two chief elements?—A. Yes, I think those are the chief elements.

Q. (By Mr. PHILLIPS.) There is a good deal said about the question of good will in all these large combinations. If I understood you correctly, you said that when opposition to a combination sprang up the good will of the public was with the opposition—with the independents. Then, if that be true, did you convey anything to this combination in the shape of good will, if the good will remained with the independents?—A. We supposed we did, but from demonstration it was rather otherwise.

Q. Is it not true that the good will is as a rule left with the independent concern?—A. Yes; I think that is pretty largely true.

Q. Then the capitalization on good will is a fiction with most of them?—A. I do not consider it a fiction, but a question of earning power.

COMMON AND DEBENTURE STOCK OF THE NATIONAL WALL PAPER COMPANY—BASIS OF ITS CAPITALIZATION.

Q. (By Mr. JENKS.) What was the capitalization of the National Wall Paper Company?—A. The authorized issue was $30,000,000, in addition to which we were authorized to issue $8,000,000 of debenture stock.

Q. This $30,000,000 to be common stock?—A. Thirty millions to be common stock, and the $8,000,000 to be debenture stock, which is in the nature of an obligation.

Q. Did the holders of the debenture stock have the same voting rights as holders of the other stock?—A. No; the debenture stock was purely an obligation of the company.

Q. Now, with reference to this basis of capitalization, and the basis on which the different plants were purchased by the National Wall Paper Company; were the different plants appraised?—A. Yes.

Q. What was the total appraisal of the tangible assets of the company as compared with the amount of debenture stock that was issued?—A. About $7,500,000.

Q. And it was expected that the debenture stock and the tangible assets should be the same?—A. Yes; debenture stock was issued only for tangible assets.

Q. And was to equal the tangible assets, dollar for dollar?—A. Dollar for dollar.

Q. Then on what basis was the other stock issued?—A. Well, the issue of both classes of stock was effected in this way: To insure correctness the profits of the concerns that were to be purchased were ascertained by chartered accountants, and the amount of such profit was multiplied by 16, and from the resultant amount the value of the tangible assets was deducted; and for the amount of the tangible assets debenture stock was issued, and for the remainder of the amount regular stock was issued.

Q. So the entire stock, including the debenture, was to be 16 times the amount of the profits?—A. Yes.

Q. The average profits for how long a period?—A. For the previous year.

Q. Simply the 1 year?—A. Yes.

Q. Were all of the different establishments taken in on the same basis?—A. On exactly the same basis.

ORGANIZATION OF COMPANY WAS EFFECTED BY THE MANUFACTURERS, NOT BY PROMOTERS.

Q. Was there any promoter of this organization or was the organization made through the manufacturers themselves, simply hiring the appraisers, lawyers, agents, and so on, paying them a fixed amount?—A. There was no scheme of promotion. The manufacturers handled the whole thing themselves, with the aid of counsel, and employed their own appraisers.

Q. So you did not need the assistance of any underwriter?—A. No.

Q. The stock was taken entirely by the manufacturers?—A. The stock was taken entirely by the vendors.

Q. Can you give to the commission a copy of the articles of the Association?—A. Yes.

Certificate for the incorporation of the National Wall Paper Company.

This is to certify that we, Sidney S. Nicholas, Rudolph Euler, Edward E. Barnes, Alfred Dahme, and Edw. D. Merriam, all citizens of the United States and residents of the city, county, and state of New York, are desirous of organizing a corporation, and do hereby form and become a corporation pursuant to an act of the legislature of the state of New York, known as "the business corporation law" of the state of New York, as amended by chapter 691 of the Laws of 1892, and we do hereby make, sign, acknowledge, and file this certificate for that purpose as follows:

First. The name of the corporation is to be "National Wall Paper Company."

Second. The objects for which the corporation is formed and the nature and locality of its business are as follows:

1. To carry on the business of manufacturers of, dealers in, and contractors for the sale, purchase, and exchange of wall paper, and of all materials used in the manufacture of wall paper, and of all other kinds and qualities of paper, paper pulp, glue, varnish, clay bank, colors, bronze, bronze powder, furnitures, decorations, interior furnishings, shades, shade rollers, wood trim, woodwork, and decorating for stores, dwellings, halls, hotels, and apartment houses, and generally to manufacture, buy, sell, exchange, and deal in the above-specified produce and in all materials used in the manufacture of each, any, and all of such articles.

2. To carry on as principals, agents, commission merchants, or consignees the business of manufacturing and dealing in wall paper and all other kinds and qualities of paper and all materials used in the manufacture of paper, paper pulp, glue, varnish, clay bank, colors, bronze, bronze powder, furniture, decorations, interior furnishings, shades, shade rollers, wood trim, woodwork, and decorating, and to carry on as such principals, agents, commission merchants, or consignees any other businesses which may be conveniently conducted in conjunction with any of the matters aforesaid.

3. To manufacture, deal in, turn to account, and contract for the sale, supply, letting on hire, erection, repair, and maintenance of any plant, implement, and things incidental to or connected with any of the businesses aforesaid.

4. To apply for, obtain, purchase, or otherwise acquire any patents, *brevetes d'invention*, licenses, and the like, in respect of any inventions which may seem capable of being used for any of the purposes of the company, and to use, exercise, develop, grant licenses in respect of, and otherwise turn to account the same.

5. To purchase, take on lease or in exchange, hire, or otherwise acquire any real or personal property, rights, or privileges suitable or convenient for any purposes of its business, and to erect and construct, make, improve, or aid or subscribe towards the construction, making, and improvement of mills, factories, storehouses, buildings, roads, docks, piers, wharves, machinery, and works of all kinds, in so far as the same may be appurtenant to or useful for the conduct of the business of the company as above specified, but only to the extent to which the company may be authorized under the business corporation law, under which it is organized.

6. To cause or allow the legal title, estate, and interest in any property acquired, established, or carried on by the company to remain or be vested or registered in the name of or carried on by any other company or companies, foreign or domestic, formed or to be formed, and either upon trust for or as agents or nominees of this company, or upon any other terms or conditions which the board of directors may consider for the benefit of this company, and to manage the affairs or take over and carry on the business of such company or companies so formed or to be formed, either by acquiring the shares, stocks, or other securities thereof or otherwise howsoever, and to exercise all or any of the powers of holders of shares, stocks, or securities thereof, and to receive and distribute as profits the dividends and interest on such shares, stocks, or securities, and generally to exercise all the powers capable of being conferred by section 40 of "the stock corporation law" as amended by chapter 688 of the Laws of 1892.

7. To acquire and carry on all or any part of the business or property of any company engaged in a business similar to that authorized to be conducted by the company, and to undertake in conjunction therewith any liabilities of any person, firm, association, or company possessed of property suitable for any of the purposes of this company, or for carrying on any business which this company is authorized to conduct, and as the consideration for the same to pay cash or to issue shares, stocks, or obligations of this company.

8. To purchase, subscribe for, or otherwise acquire, and to hold the shares, stocks, or obligations of any company organized under the laws of this State or of any other State, or of any Territory of the United States, or of any foreign country, except moneyed corporations, and to sell or exchange the same, or upon a distribution of assets or division of profits to distribute any such shares, stocks, or obligations, or the proceeds thereof amongst the stockholders of this company.

9. To borrow or raise money for any purposes of the company, to secure the same and interest, or for any other purpose to mortgage or charge the undertaking, or all or any part of the property, present or after acquired, subject to the limitations herein prescribed, and to create, issue, make, draw, accept, and negotiate debentures or debenture stock, bills of exchange, promissory notes, or other obligations or negotiable instruments.

10. To guarantee the payment of dividends or interest on any shares, stocks, debentures, or other securities issued by, or any other contract or obligation of, any corporation, whenever proper or necessary for the business of the company, and provided the required authority be first obtained for that purpose.

11. To sell, let, develop, dispose of, or otherwise deal with the franchise, or undertaking, or all or any part of the property of the company, upon any terms, with power to accept as the consideration any shares, stocks, or obligations of any other company.

12. To give, by the by-laws, as originally framed or as from time to time altered, to any holders of debenture stock of the company the right to one vote at meetings of the shareholders of the company with respect to each one hundred dollars par value of such debenture stock, subject to such regulations and limitations as may be prescribed by the by-laws with respect to the registration of such debenture stock and such other restrictions as may be thereby imposed.

13. To carry out all or any part of the foregoing objects as principals or agents, or in conjunction with any other person, firm, association, or company, and in any part of the world.

14. To do all such other things as are incidental or conducive to the attainment of the above objects.

Third. The amount of the capital stock shall be fourteen million dollars ($14,000,000), all consisting of common stock divided into one hundred and forty thousand shares of stock of the par value of one hundred dollars per share.

Fourth. The business of the company is to be transacted and located in all the States and Territories of the United States and in foreign countries wherever its products can be most advantageously manufactured, purchased, or sold. The company will engage in commerce between the States of the United States and with foreign countries. Its principal business office will be in the city, county, and State of New York, and it will establish offices in such other States and Territories and such foreign countries as will best promote the purposes of its organization as above specified.

Fifth. The duration of the company shall be for the term of fifty years.

Sixth. The number of its directors shall be eleven, each of whom shall be a stockholder having at least five shares of stock.

Seventh. The names and post-office addresses of the directors for the first year are as follows:

Charles H. Stout, No. 2 Wall street, in the city, county, and State of New York.

James Y. Corey, 218 Church street, in the city, county, and State of New York.

John W. D. Dobler, 427 Fourth avenue, in the city, county, and State of New York.

Frederick Keim, 21 East 17th street, in the city, county, and State of New York.

Clark J. Bush, 539 Monroe street, city of Brooklyn, county of Kings, and State of New York.

Sidney S. Nicholas, 6 East 35th street, in the city, county, and State of New York.

Rudolph Euler, 155 East 85th street, in the city, county, and State of New York.

Edward E. Barnes, 303 West 34th street, in the city, county, and State of New York.

Alfred Dahme, 30 Amsterdam avenue, in the city, county, and State of New York.

Edw. D. Merriam, Mount Vernon, county of Westchester and State of New York.

Robert W. Mackintosh, city of Elizabeth, in the State of New Jersey.

Eighth. The post-office addresses of the subscribers are as above stated, and each of them agrees to take ten shares of stock in the corporation in addition to the shares to be held by them as subscribers.

Ninth. In addition to the usual power to borrow money and otherwise create obligations, the corporation shall have power to issue a form of obligation in the nature of certificates of indebtedness to the extent of six million dollars, which shall be known as "debenture stock" and which may be issued in denominations of not less than one hundred dollars and in multiples of that amount. The debenture stock may be sold for cash or for property or assets purchased by the corporation at the fair market value thereof. Such debenture stock or any part thereof may be issued in exchange for the stock, bonds, or other obligations of any stock corporation, domestic or foreign, now existing or hereafter organized, except moneyed corporations. The debenture stock hereby authorized to be issued shall be and remain an obligation of the corporation repayable at the expiration of the corporate existence and entitled meantime to interest at a rate not exceeding 8 per cent per annum, payable quarter yearly, as an expense of the business from and out of the profits of the company before any dividend can be declared or paid on the stock or share capital. No payment of interest can or shall be made on such debenture stock which will impair the capital nor unless the amount paid shall have been actually earned by the company. The holders of debenture stock shall not be entitled to demand or sue for the interest payable upon the obligations held by them unless such interest was actually earned by the company, in which event the amount earned shall be distributed amongst and paid to the holders of debenture stock to the proportion of their holdings, but the unpaid interest shall notwithstanding become and remain an obligation of the company payable out of any future profits to the full extent of the amount represented by the outstanding certificates before any dividend can be declared or paid on the stock or share capital. In the event of the dissolution or winding-up of the company, the holders of debenture stock or of certificates representing the ownership thereof shall rank *pari passu* with other unsecured creditors of the corporation and shall be entitled to receive in full out of the assets of the company the amounts represented by the outstanding certificates of indebtedness or debenture stock in priority to the claims of the shareholders to be paid any amount in respect of such share. Neither the company nor its shareholders shall have power to mortgage the property or franchises of the company except by the written consent of the registered owners of at least two-thirds in amount of the outstanding debenture stock, except that the company may without such consent purchase property subject to mortgages and may assume payment of such mortgages, or may execute

purchase-money mortgages on the specific property acquired by them. The holders of two-thirds in amount of the then outstanding debenture stock may at any time after two years and not more than twelve years from the organization of the company, by a consent in writing duly acknowledged and filed with the secretary of the company, procure the conversion of the entire issue of debenture stock then outstandinging into preference shares of the company, entitled to a cumulative dividend at the rate of eight (8) per cent per annum, payable quarter yearly and preferred over the common stock as to capital as well as dividends. Upon the filing of such consent the company shall procure its capital stock to be increased in the manner prescribed by law, so as to authorize an issue of preferred stock equal at par to the amount of then outstanding debenture stock. Upon the due issuance of such preferred stock and a tender thereof to the then registered holders of debenture stock, all the debenture stock and the indebtedness represented thereby shall be deemed cancelled and satisfied.

At all elections of directors of the corporation each stockholder shall be entitled to as many votes as shall equal the number of his shares of stock multiplied by the number of directors to be elected, and he may cast all of such votes for a single director or distribute them among the number to be voted for, or any two or more of them, as he may see fit, which right when exercised shall be termed cumulative voting.

In witness whereof, we, the subscribers, have made, signed, and acknowledged this certificate in duplicate this 2nd day of June, in the year one thousand eight hundred and ninety-two.

SIDNEY S. NICHOLAS,
RUDOLPH L. EULER,
EDWARD E. BARNES,
ALFRED DAHME,
EDWARD D. MERRIAM.

STATE OF NEW YORK,
City and County of New York, ss:

This is to certify that on this second day of June, in the year one thousand eight hundred and ninety-two, before me personally appeared Sidney S. Nicholas, Rudolph Euler, Edward E. Barnes, Alfred Dahme, and Edward D. Merriam, to me severally known, and known to me to be the individuals described in and who executed the foregoing certificate, and who severally acknowledged to me that they executed the same.

LOUIS F. MURRAY,
Notary Public, N. Y. City and County.

THE MANUFACTURERS WHO UNITED WERE RESTRICTED FROM CARRYING ON BUSINESS INDEPENDENTLY.

Q. (By Mr. JENKS.) With reference to the agreements that were made with the vendors, you stated the basis on which their property was taken over. Were there any restrictive provisions with reference to their going into the business independently?—A. In order to insure the good will, that was required, and the vendors were obliged to place their common stock in trust for 10 years with certain trustees. That was about the arrangement. We felt that in buying the good will we had secured something of value, and we hoped to demonstrate that fact by the earnings that were to come from the operations of the company, and it was naturally expected that stock would have some value, and that these parties would not care to forfeit it by engaging in business contrary to agreement.

Q. Did you have an agreement with the individual manufacturers whose establishments you took over that they were to give their services to the company if they were desired?—A. Simply that we could call upon them to act in the capacity of directors or managers.

Q. And then they also agreed that for a certain length of time, at any rate, they would not enter the business as independent manufacturers?—A. Well, when we purchased their business, we bought it for all time, and they bound themselves for all time not to engage in that business again excepting in the state of Washington—usually under those conditions in order to assure us the benefit of the good will which we had purchased.

THE QUESTION OF GOOD WILL.

Q. (By Mr. PHILLIPS.) I understood you to say in the beginning that as soon as the independents started up they had the good will of the public, and they interfered with your business very materially?—A. Well, I think there is a little distinction between good will of the public and good will of a business.

Q. Well, does not the good will of the business depend on the public for its support?—A. To a certain extent, yes.

Q. To a very large extent? Are not the public the customers?—A. No; because the business, even if it has not the good will of the public, is going to do some business, and is going to do quite an extensive business.

Q. Not unless they can compel the public to purchase from them?—A. They will buy some goods from them, anyhow.

Q. (By Mr. FARQUHAR.) Are we to understand that it was the jobbers that held the good will?—A. No, that is not exactly it; the middlemen, or jobbers, claimed to have a grievance against a large corporation, and to a certain extent won upon the sympathies of the public. They had been crushed out, as they said. A certain portion of the public resented that, and the jobber got the support of those people; and the jobber in turn gave his support to the new factories that were established.

Q. And to the workingmen?—A. Not the workingmen in the sense I understand you to mean. They were men who held responsible positions—men of ability who could not be taken care of in these factories that remained in operation.

Q. (By Mr. PHILLIPS.) Do you think that any combination has a right to capitalize good will?—A. I believe the courts have so upheld, and I believe they are right.

Q. Then, has a company a right to capitalize its charter that is granted from the people—in other words, is the intrinsic value in the charter or good will?—A. It is not a question of capitalizing a charter, but of a property right of the same general nature as a patent or a trade-mark.

ATTEMPTED ECONOMIES—ADVERTISING—DIRECT SALES—CONCENTRATION OF BUSINESS.

Q. (By Mr. JENKS.) You said you hoped to make a material economy by going directly to the consumers or to the retail dealers, and by doing without the services of the jobbers. Did you also attempt to lessen the amount of money spent in advertising?—A. Our expenses in that direction had never amounted to a great deal, and while we did restrict advertising it did not make much impression on the entire amount of savings.

Q. Had you been employing many traveling men before the organization was made?—A. Yes.

Q. Did you lessen the number of those?—A. Not by a single one. On the contrary, we increased them.

Q. Did the extent of your sales fall off materially through giving up your dealings with the jobbers?—A. Well, my impression is that they did. It is but fair to say this, that the second year of our company was the year 1893–94, which, as you remember, was a disastrous year for everybody, and I suppose we suffered with the rest; but undoubtedly the volume of business taken away by the loss of the jobbers' trade was considerable. Just what it was it would be hard to estimate.

Q. On the whole, though, would you be inclined to think that in your special line of business the attempt to go direct to the retail dealers without the service of the jobbers does not pay—can not pay?—A. I do not think you can dispense entirely with the services of the middle man. He is established in a certain locality, and for convenience' sake the surrounding dealers are bound to patronize him, and he is needed and useful.

Q. You spoke of closing some of the smaller factories, and of concentrating business in the larger and better establishments. In doing that, did you lessen the output, or did you keep the output up to about what it was before?—A. The closing up of those factories undoubtedly lost us some business in each case; not, perhaps, enough to effect the total, but there was a certain trade for each of those factories that, when the factory was closed up, went into other channels; some came to some of our branches, and some went to our competitors.

Q. Your capacity for manufacturing was not lessened by closing the small factories and increasing the larger ones?—A. Not at all. We had ample capacity to manufacture all the goods on the volume of the business done up to that time, and beyond.

Q. Then, as a matter of fact, on the manufacturing cost you really did make an economy, but that was more than offset by the hostility that was aroused?—A. That was the case.

THE COMBINATION WAS OBLIGED TO YIELD TO THE DEMANDS OF THE LABORERS.

Q. You spoke also of the fact that you believed that this combination gave the workingmen an advantage. Did you have any strikes?—A. No, we never had a strike.

Q. You spoke of having agreed to the demands of the laborers. Did the unions threaten strikes on account of the fact that by closing these factories you had discharged some men?—A. It never reached that stage. The economies that we attempted to enforce, particularly in 1894, at the end of the 4 years' business caused us to keep our factory shut down for a longer period than usual. The consequence was that the skilled workmen connected with our business came together at the end of that season, and before they would go ahead for the next year's work they made a demand that we give them 11 months' continuous employment without raising their wages, and to that demand we acceded. The following year they did the same thing, and we acceded to it again. The next year they wanted 12 months' employment, and we acceded to that, and the following year they wanted 12 months' employment and increased compensation, and they got it; and it would have embarrassed us very much not to have granted their demands, situated as we were.

Q. So many of the workmen in your employment are skilled laborers that you could not easily replace them in case of a strike?—A. The number of such laborers is comparatively limited.

Q. How many months did you give them employment before they made this first demand for 11 months' work?—A. Usually from 9 to 10—some factories perhaps not over 7; but the larger factories usually gave employment for about 9 months.

Q. That had been true in the case of independent factories before the combination was made?—A. Yes.

Q. And for how long did the combination allow them to work this year before they made the demand for 11 months?—A. Oh, I suppose where they had been running 10 months they cut down to 9 months, and that last year probably a trifle less than 9 months.

Q. Then as a matter of fact under the combination the time had not been shorter than under the independent companies?—A. No, excepting in this one year.

COMBINATIONS OF CAPITAL STRENGTHEN THE POSITION OF THE LABORERS.

Q. You do not think that a combination, by virtue of the fact that it controls several factories, is in a position to resist a strike better than an independent manufacturer, who has only his 1 factory?—A. It is much easier to replace the amount of skilled labor required for 1 factory than it is for 20 factories.

Q. And you think that the unions are much more likely to act together and to strike throughout the whole trade where there is a combination than where none exists?—A. That is decidedly my opinion. I think the future will demonstrate it, too.

Q. You consider that combinations are a good thing for the laboring men on that account?—A. I do, most decidedly.

Q. They strengthen their power?—A. Yes.

EFFECTS OF THE PRESENT RELATIONS OF LABOR AND CAPITAL.

Q. (By Mr. PHILLIPS.) Does not the combination of capital on the one hand, and the combination of labor on the other hand, which is going forward with great rapidity, tend to make a capitalistic class and a labor class, and so define these two classes that it is very difficult for the labor class to pass into the capitalistic class?—A. No, I do not think so. I think that the tendency to combination of capital at the present day is bound to reach a limit. I believe there are any number of corporations existing to-day that would dissolve if they possibly could do so, but they have become so involved, probably loaded down with debt, that they can not do it. Our own case was different. We did not have a dollar of indebtedness. We were not in trouble financially at any time, and before we undertook the dissolution proceedings we paid off every dollar we owed. Now, I believe some of these other concerns that have been financed with outside capital are not in position to dissolve; they would like to if they could.

Q. Would it be beneficial to the public if they did dissolve?—A. I think it would be beneficial to the parties themselves; whether it would to the public or not I do not know.

Q. Is it not a fact that a very large per cent of the capitalists of to-day were laboring men of yesterday, or preceding times? Now, the question is, with this large capitalization is it possible for the laboring men to rise in the scale as they did formerly?—A. A large capitalization undoubtedly interferes with the ability of people with very limited means to get on in that particular line of business, but that I do not think is necessarily the result of these trusts, so called. I think you can find that even in retail business; thus the department store is driving out the smaller lines of business, and there is nothing particularly wrong about the department store. Business operations are conducted on a larger scale all the way through.

NATURE OF THE PRODUCT RENDERS CERTAIN INDUSTRIES ADAPTED TO COMBINATION.

Q. (By Mr. JENKS.) You said you thought that if a combination could obtain control of a market it could be successful; otherwise, not. Do you think that the nature of the product itself determines to any material extent whether a combination can secure control of a market?—A. Yes, most decidedly.

Q. What kinds of industry then would you say were, in accordance with this principle, adapted to combination?—A. Well, the ones that naturally occur to my mind are those that are most largely before the public to-day, such as oil and metals, and, in fact, any single product that can be controlled.

Q. Any product also that is controlled by patent you would think has a special advantage?—A. Well, a patented article is practically a trust sanctioned by the Government.

Q. You do not think that this principle you laid down is necessarily limited to patented articles?—A. No.

THE PLAN OF HAVING A SINGLE SELLING AGENT FOR ALL MANUFACTURERS.

Q. You spoke also of the Continental Wall Paper Company as the selling agent for the National Wall Paper Company, and I understood you to say that as a selling agent it was successful?—A. Yes.

Q. Do you see any reason why the manufacturers of wall paper, without organizing into such a company as the National Wall Paper Company, should not organize a general selling agent to act for them all, as is the usual custom with combinations in Germany?—A. The great difficulty with arrangements of that kind is that they are not honestly carried out, and I do not know of a wall paper manufacturer to-day who would care to trust himself in the hands of such a concern. Understand that the Continental Wall Paper Company, while I speak of it as a selling agency, bought all of the goods from all of the factories.

Q. Yes, and then sold them independently?—A. And then sold them independently.

Q. Did it also have agreements with the different establishments as to the percentage of output that each should have?—A. No restriction whatever was put on the output, but as each of these concerns had a certain amount of stock in the Continental Wall Paper Company it was not to their interest to put in more than they expected to draw out.

Q. (By Mr. PHILLIPS.) Well, has not the same plan been carried out with every combination, such as that in window glass, and has it proven successful?—A. I am not at all informed on that question.

AMOUNT OF CAPITAL NEEDED TO EQUIP AN EFFICIENT WALL PAPER PLANT.

Q. (By Mr. JENKS.) How large a capital does it take to set up a wall paper manufacturing establishment that is thoroughly equipped to handle business efficiently?—A. I should say that the larger class of factories would require at least $500,000 or $600,000, the fact being that a wall paper manufacturer is able to turn his capital only about once a year.

Q. In this $500,000 or $600,000 you would include both the plant and the necessary running capital?—A. Yes.

Q. (By Mr. A. L. HARRIS.) Would $500,000 or $600,000 equip a plant and give you a maximum efficiency in production of wall paper?—A. Well, it is always assumed that a manufacturer with that amount of capital would have a certain amount of credit at the bank in case he needed a little more.

Q. (By Mr. JENKS.) But that would give substantially all the efficiency that you could get from double that capital?—A. That sum would be necessary for a fairly good-sized plant and a corresponding amount of business.

NUMBER OF PLANTS IN THE NATIONAL COMPANY—RIVAL PLANTS OPPOSED THE COMPANY'S DISSOLUTION.

Q. (By Mr. KENNEDY.) How many plants were there in your organization?—A. When we started liquidation we had 17; they were not all as large establishments as the ones I have indicated.

Q. How many are there now?—A. Well, we are in process of liquidation.

Q. You said that the persons that seemed on the whole to be opposed to dissolution were not the members of the National Wall Paper Company, but their rivals.—A. That is right.

Q. Did they feel that the National Wall Paper Company was an element in keeping prices up so that their business was more profitable than it would have been otherwise?—A. The National Wall Paper Company establislished a price and gave these parties an opportunity of bidding under us. Our price was a known quantity, and there was nothing elastic about it, but our competitors could shoot a little under us, make one price one place and another price another place. As our prices were so well known, we had to give everybody the benefit of lowest figures.

Q. From the fact of your organization being so large was it practically necessary that you should establish a uniform price?—A. Absolutely.

Q. You do not think it would have been possible for you to go into the independents' territory and compete individually?—A. No; we could not have done it; it was not a practical thing.

INDIVIDUAL OWNERSHIP V. MANAGEMENT BY EMPLOYEES—COMPARATIVE BOOKKEEPING AND SALARIES PROPORTIONED TO OUTPUT.

Q. (By Mr. PHILLIPS.) Is it true that in your industry one large plant well equipped, run and managed by its owner, can make more money than a large number of plants run by hired help?—A. As I understand your question, I would say that factories operated by individual owners will be more profitable than those factories could be if they were looked after by hired labor.

Q. That you would think is the general principle of business in the world?—A. Most decidedly I think that is the case.

Q. (By Mr. JENKS.) When you were running all these different establishments as the National Wall Paper Company, were you in the habit of receiving reports from the different factories as to the details of the work, and did you have a system of comparative bookkeeping, so that you could check one up against the other?—A. Yes; we had our comparative figures every week, both as to the amount of business done and the expenses, and the expenses were divided under the numerous headings we thought necessary.

Q. Were the superintendents of the different factories paid in part upon the efficiency of their work, or were they paid on fixed salaries?—A. It would not have been feasible to base their compensation on any such methods, because we threw more business into some factories than we did into others, and consequently it was no fault of these other factories that they did not have quite the same output.

Q. In your line of business, then, you think it is necessary to pay by fixed salaries?—A. Yes.

ABOLITION OF TARIFF ON WALL PAPER WOULD NOT AFFECT THE PRICE.

Q. You have spoken of the way in which prices were fixed. Is there a protective tariff on wall paper?—A. There is.

Q. What is the tariff?—A. It is 25 per cent ad valorem.

Q. Is there any special importation or exportation of wall paper?—A. There is very little paper imported or exported.

Q. Do you consider the tariff an important element in fixing the price?—A. Not at all; it has very little bearing. If the tariff were taken off it would not have much effect on the importation of wall paper.

Q. You would not fear competition without any tariff?—A. We would not fear it at all.

RAW MATERIALS ENTERING INTO WALL PAPER—THE INTERNATIONAL PAPER COMPANY.

Q. (By Mr. KENNEDY.) What are the raw materials that enter into wall paper?—A. Mainly paper; of course, also colors, glues, clays.

Q. (By Mr. JENKS.) Do you buy the paper that you decorate in making wall paper, or do you manufacture it?—A. We buy the raw stock.

Q. (By Mr. KENNEDY.) Do you buy it from the International Paper Company?—A. At the present time, yes.

Q. (By Mr. PHILLIPS.) Is it a matter of good will that you buy from them?—A. Why, we are compelled to buy from them.

Q. Then the International Paper Company has not your good will?—A. Not particularly.

Q. (By Mr. KENNEDY.) Is this wall paper manufactured from the same material as news print paper—from wood pulp?—A. Yes; wood pulp and sulphite—the same method; the same mills that make the news print paper also make for wall paper.

Q. There has been some complaint against the International Paper Company on the part of those who use news print paper, and I would like to ask you if your people

have any complaint to make against them. Did they put the prices up in such a way as to interfere with your business or your profits?—A. The advance in the price of paper does not enable us to get any more for the goods themselves, because, as I stated here a little while ago, the price of the manufactured paper does not depend entirely on the intrinsic value of the materials that go into it. The increased cost of paper lessens our earnings.

Q. Were the prices materially increased?—A. Yes.

Q. (By Mr. Jenks.) Can you submit to the commission a copy of the dissolution agreement, so that we can see the plan?—A. Yes.

National Wall Paper Company—Agreement for dissolution.

An agreement, made this —— day of June, in the year nineteen hundred, between the undersigned owners and holders of certificates of debenture stock and of trust receipts for common stock of the National Wall Paper Company, of the par values set opposite their respective names (hereinafter referred to respectively as debenture holders and stockholders, and collectively as security holders).

Whereas the National Wall Paper Company (hereinafter called the company) is a corporation organized under the laws of the state of New York, with an authorized share capital of $30,000,000, divided into 300,000 shares of stock, of which 279,315 shares were duly issued to vendors in part payment for the good will of businesses acquired by the company, and are held by Charles R. Flint and Oliver S. Carter, as trustees, upon the trusts defined by certain written agreements between the parties referred to in the trust receipts issued by said trustees to the stockholders; and

Whereas the company, pursuant to the authority reserved by its charter, has issued and has now outstanding $7,418,100 par value of certificates of indebtedness known as debenture stock, which were principally issued to vendors in payment for real and personal properties acquired by the company, on which five quarter-yearly payments of interest, at the rate of eight per cent per annum, are in arrears; and

Whereas the security holders are, so far as can be ascertained, unanimously of the opinion that the best interests of all concerned in the company imperatively require that it be forthwith dissolved, but that such dissolution be accomplished, so far as lawful and possible, through the agency of the directors as trustees upon dissolution, and so far as lawful and practicable without the intervention of the court and in a manner that will yield the best results to all concerned; and

Whereas the assets consist largely of factory properties, plants, and machinery especially adapted to the manufacture of wall paper, which were partly paid for by the issue of debenture stock, most of which is still held by the vendors to whom the same was issued; and

Whereas many new factories have been constructed since the organization of the company, and the aforesaid properties, plants, and machinery so acquired by the company can be sold to better advantage to the original vendors to the company only upon exceptional terms as to credit, security, and otherwise that will enable the vendors to become the purchasers of such properties; and

Whereas it is, in the judgment of all the security holders, desirable that if for any reason the plan of dissolution hereby outlined shall fail of accomplishment, the directors of the company, by a majority vote thereof, acting as trustees upon dissolution, shall be vested with all the rights and powers of the security holders for the purpose of doing or assenting to any act as to which the assent of the security holders may hereafter be necessary or proper.

Now, therefore, in consideration of the foregoing recitals and of the mutual covenants hereinafter contained, it is agreed between the parties hereto, each with the other and with all the others, as follows:

First. The parties hereto hereby consent to the dissolution of the company at such time and in such lawful manner as shall be determined by its present board of directors acting by a majority vote of said board. They hereby waive notice of all meetings and notices for that purpose by advertisement and otherwise.

Second. The persons now constituting the board of directors of the company, whose names are Henry Burn, Samuel A. Maxwell, William H. Mairs, Jacob J. Janeway, Frederick Beck, Zophar L. Howell, William R. Janeway, Frederick H. Hatzel, George C. D. Brand, R. Davis Carey, and George K. Birge (hereinafter referred to as the trustees when acting collectively or when acting by a majority of their number), are hereby designated, constituted, and appointed trustees for the purposes of such dissolution, and for all purposes connected with the sale of the property and assets of the company, the payment of its debts, the equal and ratable distribution of the proceeds of its property, and the liquidation of its affairs.

The trustees are hereby authorized by the act of a majority of their number to do and perform each and all the acts and things that are permitted to trustees on disso-

lution of corporations under the laws of the state of New York, and they are hereby further expressly authorized (without, however, intending hereby to restrict their general authority) to do and perform each and all of the following acts and things in so far as the same can be lawfully done, but not otherwise:

(*a*) They shall first promptly pay, satisfy, and discharge in full all the debts, liabilities, and obligations of the company, of whatsoever kind and nature, except the obligation created by the debenture stock. The last-named obligation is hereby deferred to the claims of the creditors of the company for services, merchandise, and money loaned, and to the claims upon other contracts and obligations.

All such debts and claims are hereby agreed to be payable prior in time and superior in rank, class, and order of payment to the claims of the debenture holders upon said debenture stock.

Subject, however, to the payment in full of such debts and claims, the debenture stock and all arrears of interest thereon shall be a lien upon the property, assets, effects, and good will of the company prior in rank, class, and order of payment to the claims of the stockholders.

(*b*) To act by the vote or assent of a majority of their entire number.

(*c*) To accept the resignations of any of their number and to fill all vacancies arising from death, resignation, removal, or otherwise, from among the then registered security holders by the votes or assents of a majority of those remaining. Any person appointed to fill such vacancy shall, from and after notification of such appointment by a majority of the remaining trustees, become possessed of all the powers of a trustee on dissolution as though originally named herein.

(*d*) The trustees may sell or dispose of all or any part of the real and personal properties, plants, machinery, accounts, good will, or other assets of the company at public or private sale upon such terms as to credit, security, or otherwise as they shall deem advisable, and they are hereby authorized to execute and deliver, in the name of the company and under its official seal, or in their own names as trustees, by the act of a majority of their number, deeds of conveyances, bills of sale, and all other documents and assurances that may, in their judgment, be necessary or proper to vest in the purchaser of all or any part of the property, assets, or good will of the company a good and indefeasible title to such property and assets. The trustees shall jointly and collectively be at all times kept indemnified from and out of the trust estate hereby placed in their hands against all manner of claim, demand, cause of action, and liability by reason of any act or thing done or omitted by them, except that each of the trustees shall be liable to the security holders for his personal fraud or misconduct, but not in any event for the fraud or misconduct nor for any of the acts or omissions of his co-trustees.

Each of the trustees is hereby expressly authorized and encouraged to compete for and acquire for his sole benefit such part of the real and personal property, plants, machinery, and other parts of the trust estate as he may see fit, upon such terms as to credit, security, and otherwise as he may be able to induce his co-trustees to accept, it being contemplated by this agreement that each of the trustees may be induced to acquire part of the trust property from the others, and that the trustees shall deal with one another with respect to such purchases and sales of the trust estate notwithstanding their personal interests.

This reservation of the right of each of the trustees to make such purchases is hereby agreed to be in the interest of the trust estate and is made partly to secure purchasers for the various factories owned by the company, and partly to induce the persons who are now directors of the company to act as trustees on dissolution, which they have refused to do unless this right is clearly reserved to them.

(*e*) To do any and all acts and things that the company or the security holders might or could do with respect to the property and assets of the company, including, among other things (but without intending hereby to limit or restrict the broad, general power hereby delegated), the right to release, surrender, and transfer any and all agreements and obligations owned by the company, to assign, sublet, and surrender any leases in which it is interested, and to execute and deliver agreements of release, assignment, surrender, and assurance.

The purchase by one or more trustees of parts of the trust property for his or their own benefit shall not in any event be regarded as fraudulent in law or as an act of misconduct on the part of the trustee or trustees so purchasing, and the above provision of indemnity by the security holders is intended to cover any and all such acts by the trustees.

In the sale of factory properties, plants, and machinery that are now in operation and are equipped for the immediate conduct of business, the trustees shall endeavor to secure, as nearly as may be, a sum equal to the appraised and inventoried value thereof as shown by the appraisals and inventories that are about to be taken, and to

sell all such factory properties, plants, machinery, assets, and good will upon a basis as nearly uniform as can be effected.

In all cases in which sales are not made for cash it is expected that the trustees will exact the contract obligation of a responsible purchaser or purchasers, secured in a manner satisfactory to the trustees. The latter may accept debenture stock as security for all or any part of such purchase price on a basis of 75 per cent of the par value of such debenture stock—that is to say, the debenture stock, when taken as such collateral at 75 per cent of its par value, shall be at least equal to the debt for which it is offered as collateral. Wherever such debenture stock is given as collateral, the obligation or obligations of the purchaser may be made payable from and out of the liquidation dividends on said debenture stock; provided, however, that if within one year from the date of the obligation the dividends upon such debenture stock have been insufficient to pay the debt, the purchaser shall thereupon pay the difference, and shall become entitled to the return of the debenture stock. If and when the dividends received by the trustees upon such debenture stock shall be sufficient to pay the obligation of the purchaser, the debenture stock shall be returned to the purchaser, and all further dividends thereon shall belong to him.

Wherever securities other than debenture stock are given as collateral to the obligation for the purchase price, the obligation shall be payable within one year from the date of its execution.

Third. If for any reason whatsoever it may hereafter become necessary or proper in the judgment of the trustees that the affairs of the company in whole or in part, and in the state of New York or in any other state in which the company is or may become possessed of property or assets, should be administered by or through one or more receivers to be appointed by the court in any such state upon the application of the company or its directors, or of a creditor, security holder or otherwise, then and in any such event the trustees are authorized and directed, on behalf of all the security holders who shall at that time have subscribed this agreement, to procure the appointment of one or more of their own number as such receiver or receivers, or such other person or persons as in their judgment will best administer the trust in the interest of the security holders; and, upon the appointment of any such receiver or receivers, the trustees shall continue, notwithstanding such appointment, to carry out the trusts of this agreement in so far as the same may be lawfully executed. To that end and for any other purpose which they may deem for the best interest of the security holders, they may from time to time, on behalf of the security holders, intervene in all judicial proceedings and make such applications to the court or to the receiver or receivers as they shall deem in the interest of the trust estate, and may from time to time petition for and assent to the sale of trust property upon any of the terms and conditions above prescribed or upon any other terms as to credit, security, or otherwise that they shall deem proper.

In all such proceedings, and in all matters affecting the trust estate, the trustees may at all times intervene and act for the security holders.

Fourth. The trustees are expressly empowered in the name of the company or in their own names as trustees, or in the name of a nominee or assignee, or collectively, as trustees on dissolution.

(*a*) To prosecute, sue for, collect, defend, release, settle, compromise, and adjust all claims in favor of and against the trust estate, at such sums and upon such terms as they shall deem proper, and to do in any such capacity any act or thing that the company or the directors of the company, or trustees on dissolution are authorized to or could do.

(*b*) To lease or sublease any part of the real or leasehold property, plants, or machinery included in the trust estate, or to assign, surrender, or otherwise deal with any existing leases now held by the company, for such time and upon such terms as they may deem advisable, and, either with or without an option from the lessee to the trustees of the company, to purchase the properties so to be leased from the company or the trustees on terms that may be prescribed by any such lease.

(*c*) To conduct the whole or any part of the business of manufacturing wall paper or merchandise of a similar character at all or any of the factories of the company pending the completion of the liquidation of the affairs of the company, and to do all things incidental to the conduct of such business; to borrow money for the purposes of the liquidation and to give therefor the obligation of the company or of the trustees, or of the trust property or estate, and to secure such obligation by such of the assets of the estate as shall come into their hands.

Fifth. The trustees shall be at all times separately and collectively kept indemnified out of the trust estate in priority to all other claims against such obligations and against any and all obligations assumed by them or that may be imposed upon them.

Sixth. The rights and powers hereby granted to the trustees are irrevocable.

For the purpose of more effectually carrying out the intent hereof the security holders will, at the time of the execution of this agreement, or whenever thereunto requested by the trustees, surrender the securities held by them respectively, so that a reference to this agreement may be endorsed thereon, and will further, whenever thereunto requested, deposit their securities in a bank or trust company designated by the trustees, there to remain subject to the control of the trustees and to the provisions of this agreement.

If at any time it shall in the judgment of the trustees become necessary or proper that the legal title to the securities held by any of the security holders shall be registered in the names of the trustees or their nominees, the security holders will permit the same to be and remain so registered; provided, however, that in any such event the nominee or nominees of the trustees in whose name or names such securities shall be placed shall forthwith endorse the same in blank and shall cause said securities to be deposited in a bank or trust company in the city of New York, designated by the trustees, and to furnish to the security holders the trust receipt of such bank or trust company for the securities so deposited.

In any such event the dividends declared by the trustees out of the trust estate, upon such securities, shall belong to the security holders depositing the same, notwithstanding the change of legal title.

Seventh. Notwithstanding the powers hereby delegated to the trustees, the company shall continue in existence with all its rights, powers, and franchises during the process of liquidation for the purpose of paying, satisfying, and discharging all existing debts and obligations, collecting and distributing its assets, and doing all other acts required in order to adjust and wind up its business and affairs, and all deeds of conveyance, bills of sale, and other instruments affecting its business and property necessary to be executed, delivered, or accepted on its behalf by the trustees, shall be made, executed, delivered, or accepted in its corporate name, until its business and affairs are fully adjusted and wound up.

Eighth. The security holders hereby expressly covenant each with the other and with all the others that in the event of and only from and after the execution and delivery of this agreement by all persons owning and holding any form of security of the company, but not otherwise, the company will as a part of the consideration of this agreement, and the security holders do in such event, hereby release all covenants and restrictions heretofore imposed upon vendors to the company against engaging in the business of manufacturing and selling wall paper or merchandise of like character at any place whatsoever.

Upon the happening of the above prescribed event the directors are authorized, and it shall be their duty, to carry this agreement into effect by such further writings and assurances as will best effectuate the intent hereof.

Ninth. This agreement may be duplicated and all copies thereof, although separately signed, shall be deemed and taken together as constituting one original agreement.

In witness whereof the security holders have respectively hereunto set their hands and seals, and opposite their signatures the par value of debenture stock and common stock of the company owned by them.

Signatures.	Seal.	Par value.	
		Debenture stock.	Common stock.

EARNINGS AND DEBENTURE STOCK OF THE NATIONAL WALL PAPER COMPANY.

Q. (By Mr. KENNEDY.) Can you say what dividends you paid the last year before your dissolution movement was inaugurated?—A. We never paid any dividends on the stock itself. Our payments of earnings were made in the shape of interest on the debenture stock, which, as I said before, represented the tangible assets that had been purchased from these plants.

Q. (By Mr. FARQUHAR.) Were the debenture stocks shares of stock or debenture bonds?—A. No, it was debenture stock; it was not a bond. It was a form of indebtedness that ranked *pari passu* with any other indebtedness of the company.

Q. No priority given to it because it covered tangible assets?—A. No priority given to it at all.

POSSIBILITY OF FUTURE COMBINATIONS IN WALL PAPER MANUFACTURE.

Q. (By Mr. Kennedy.) Now, on your dissolving this company, are not promoters likely to go to work and get options from all the paper manufacturers and form another and larger trust than this one that is being dissolved?—A. Possibly.

Q. Do you think it is probable?—A. I only know that there is a constant desire among a great many manufacturers to try some other form of consolidation.

Q. Do you think, then, that is what will be done—another form of consolidation with perhaps a very much larger capitalization?—A. I do not think it is at all probable. I do not think that any manufacturer that had his 8 years of experience with the National Wall Paper Company could be tempted to go into any other combination. He might dispose of his business if the price offered him was big enough, but as to being an active participant in another corporation, I do not think that you could possibly draw him in.

Q. (By Mr. Jenks.) Was there substantial harmony among the managers during the lifetime of this National Wall Paper Company? Would they be practically all agreed upon this general principle that you have laid down?—A. I do not think there would be much variation from my statements in regard to it. There was undoubtedly substantial harmony. That does not mean that we did not have any trouble at all in our board, but substantially we agreed and the majority supported the management right through.

PROPORTION OF THE OUTPUT CONTROLLED BY THE NATIONAL WALL PAPER COMPANY.

Q. (By Mr. Farquhar.) As to your production, what was the amount of the National Company's output compared with the total output of all the independents?—A. That is a question I am not able to answer, because we had no means of knowing what our competitors were doing.

Q. Did you control, say, half the business?—A. Oh, we always controlled over half the business. I think there is no question about that.

UNFAIR DEALING OF CERTAIN MANUFACTURERS IN THE AMERICAN WALL PAPER MANUFACTURERS' ASSOCIATION.

Q. You spoke of the time when you maintained high prices and the members of your own combine undersold?—A. That was in the American Wall Paper Manufacturers' Association.

Q. Was there advantage to them in sacrificing profits to get customers?—A. They did not sacrifice any profits in doing that. By failing to return those sales to the American Wall Paper Manufacturers' Association they were not charged any expense in regard to those goods at all. They did not pool the profits on those goods with their fellow-manufacturers; I do not know just what they made in selling those goods, but they may not have given away all the profits that they otherwise would have had to pool with their associate manufacturers. In that way it was a benefit to them.

RELATION OF THE AMERICAN WALL PAPER MANUFACTURERS' ASSOCIATION TO THE DEALERS.

Q. When the American Manufacturers' Association came into existence in 1880 and continued for 8 years, you said that ultimately the dealers suffered and there was a revolt?—A. No; I said that at the expiration of that 8 years an open market prevailed, and you must bear in mind that at the end of that period prices were very high. The American Wall Paper Manufacturers' prices had been very high. The moment they broke, prices went down at a terrific rate, and a dealer that had $5,000 worth of goods in his store found that they were worth only $2,500, because new goods were coming along that would make them of that reduced value, and consequently he suffered a shrinkage in capital; he had to sell those goods at the prices of the new goods, and that impaired his ability to meet his liabilities. And then as each year came, prices kept dropping and dropping, causing his stock to be of still less value and his earnings consequently either nothing or involving an actual loss, and he was anxious to have prices steady. It did not make any difference to him whether they remained where they were or went higher. If they went higher, it enhanced the value of his stock, but this continual dropping and dropping and dropping would simply have compelled him to go out of business eventually.

Q. Is it a fact that in your business the jobber or even the retailer must bear the loss that comes from the change of designs and patterns and styles comparatively more than the manufacturer?—A. Well, that is a question of the dealer's and jobber's business judgment. He knows perfectly well the conditions of the business,

that the styles do change from year to year, and if he buys too many goods beyond his requirements, he has to suffer the penalty for his lack of judgment.

Q. But is it not a fact that in your trade your change of patterns and styles often drives half of the whole stock of dealers out of style and out of the market, and forces them to a sacrifice?—A. That could not possibly happen with a man who exercises proper judgment in making his selections and in the amount that he buys. That is something for which the manufacturer can never be held accountable—another man's judgment.

Q. Did the National Company make all styles of manufacture in all their plants?—A. Yes.

Q. So that the current styles that were made by your concern would be taken by all the dealers?—A. Yes; no restrictions at all.

Q. Does the dealer make cash or time purchases?—A. Mainly on long terms of credit. His terms of credit are from 4 to 8 months, and then he sometimes takes a year's extension besides.

Q. Is it practicable for a dealer to get rid of his stock in any way other than to sell it at a sacrifice? Is your stock convertible into raw material again for manufacture?—A. No.

Q. On account of your mixture of colors?—A. Yes.

POSSIBILITY FOR COMPETITION TO ASSERT ITSELF AGAINST COMBINATIONS.

Q. Now, as to the fact that the jobbers, dealers, retailers, and paper hangers and others, by making a combination against you, were able to raise up competition, although you controlled two-thirds or three-fourths of the output—were they really able to break you?—A. They were able to render our business unprofitable.

Q. Is that peculiar to your trade because of its character, or would it be true of any other combination of like kind?—A. I do not see why it should have any different effect in any other line of business. There is nothing peculiar about our business that would make it work that way.

Q. Would you say that the force of competition is present under almost any combine?—A. Yes.

Q. (By Mr. PHILLIPS.) You do not require the amount of capital in your business that would be required in a great many other industries to start opposition?—A. On the contrary, while I said that $500,000 or $600,000 would be necessary for a well-established, first-class plant, able to operate on its own capital, a man can start in business on a limited scale on $10,000.

Q. You could not start a large steel manufacturing plant, such as the Carnegie's, on that?—A. I guess not.

Q. Opposition could not be made in the same way to the steel combine as to the paper combine; it would take a great deal more capital than $500,000?—A. Yes; it would take a great deal more capital and it would probably involve some other problems. It probably would involve the problem, not of manufacturing steel alone, but also the bringing of that steel to the place where it is to be manufactured.

Q. So in that regard the wall-paper industry would not represent the other big industries?—A. Oh, ours is a very small industry compared with most of the industries of the United States.

DEGREE TO WHICH CONSOLIDATION WAS CARRIED BY THE NATIONAL WALL PAPER COMPANY.

Q. (By Mr. FARQUHAR.) When you made your consolidation you had a great many traveling men, you say?—A. Yes.

Q. Did each corporation or firm that went into the company have control of its own territory, or were all salesmen under the control of a general committee or joint board?—A. The salesmen were directly under the control of the factories with which they were connected, but the company through its directors exercised a supervision over them all, so as to avoid the unnecessary covering of territory by a great number of individuals.

Q. Was there any complaint of infringement of territory as between the different manufacturers who had come into your combine?—A. No; there should not have been any ground for it, because there was one absolute ownership, and it was certainly proper for the directors to do away with any waste of money by sending 2 men over exactly the same ground.

Q. So that each concern held its own territory during the whole time of the combination?—A. No; that is not strictly correct either. They held it as the directors felt was for the best interests of the company; the directors made changes.

Q. Then would you say that you effected no economies because all the concerns ran their own business as they formerly did?—A. No; in fact I have said just the

very reverse. These salesmen were controlled by the particular factories that they represented, but the factories in turn were controlled by the directors of the National Wall Paper Company, who strove to have certain factories make certain classes of goods so that they would not enter into competition with each other.

Q. The question I had in mind was this: The parties that went into this combination ran their own business after they went in?—A. No; the directors of the National Wall Paper Company ran the business.

Q. Well, the parties that went into the combine maintained their own officers, their own foremen, and their own treasurers?—A. No, not at all. The parties who operated those plants were simply managers appointed each year by the directors of the company.

Q. And the original owners passed out of control entirely?—A. In some cases they were the managers; in some they were not.

Q. (By Mr. JENKS.) They were managers, but they were still under direction?—A. They were still under absolute direction of the National Wall Paper Company. They did not make a single purchase of materials. The materials were all purchased by the head office of the company through its purchasing agents. They did not enter into contracts with the workingmen, these being made from the office. As to the salesmen, while the managers had the privilege of making their selections, the appointment was not confirmed except by the directors of the National Wall Paper Company.

THE COMBINATION IN THE INDUSTRY HAS PROVEN BENEFICIAL TO THE WORKMEN.

Q. (By Mr. KENNEDY.) I gather from your testimony that the workmen in this industry secured a very large increase in their wages and an extension of the period of employment from 9 to 12 months in the year because of this combination of the industry?—A. That was the effect of the economies that we attempted to bring about. In other words, if we did not have use for the men we stopped employing them, whereas under the individual concerns they might have run them along for a few weeks beyond the time they actually required. When we tried to bring these economies about, we simply kept the men for the actual time that we had use for them.

Q. That was a beneficial result to the workmen in the combination?—A. Yes.

Q. I would like to ask you if the independents, so-called, followed this custom, and increased wages and lengthened the period of employment?—A. The demand and competition for the services of these men helped to enforce the demands that the workingmen made upon us.

Q. Now, what will be the probable fate of the workmen when you dissolve this corporation and go back to the individual companies? Will you go back to the old custom, or maintain the present custom in regard to the wages and period of employment?—A. Oh, a custom that is once established is very difficult to break down. The probabilities are that for some time ahead the same conditions will prevail. Ultimately, if the open market continues, I assume that there will have to be modifications in either the period of employment or in the wages paid.

Q. (By Mr. JENKS.) At present the factories are running full time?—A. At the present time most of the factories are running right along in the usual way, and will undoubtedly continue the same method that has been prevailing.

THE PREPARATION DESIRABLE FOR A SUCCESSFUL DESIGNER—CHIEF SOURCE OF DESIGNS.

Q. (By Mr. FARQUHAR.) A great deal of your business and its success lies in the new American designs. Now, can you give the commission some information about them? Tell us whether you go to schools of design for patterns, or whether you hire those people, and whether they are men or women, and in what way you make up your designs for your new paper and this new work.—A. The schools of design give us a very small result, very small indeed, and every manufacturer is dismayed whenever he sees one of those people come to show him designs. The designer does not spring from that class of schools, as a rule, unless he has the ability beforehand and would have got along almost without the schools. The designer—and I am speaking now about the better class of designers—must have a technichal education in architecture to start with, and he first of all should know the class of decorations to be applied to different methods of architecture, and then if he has a good course in actual decoration, if he begins as a decorator and as a fresco painter, then he begins to shape himself for a good wall paper designer. But as far as teaching ladies designing and that sort of thing, that is all rubbish. They will never make anything of it.

Q. (By Mr. JENKS.) Where do you get most of your designs? Do your own employees make them, or do you buy them?—A. The better class of factories have

their own staff of designers, but they always buy good designs wherever they can get them. But a great many of the better class of patterns come from Europe.

Q. (By Mr. FARQUHAR.) So that you will say, as you said first of all, that the good will of your business is æsthetic?—A. It is æsthetic.

CONTROL OF OUTPUT BY THE COMBINATION—SAVING IN FREIGHT.

Q. (By Mr. A. L. HARRIS.) If the National Wall Paper Company could have controlled 80 or 90 per cent of the output of the country, how far would it have been able to fix prices?—A. Well, it could have placed them where it pleased for a very brief time only; the natural tendency would have been to stimulate competition and reduce prices.

Q. The competition would nearly all have followed?—A. The competition, of course, would have followed the advance.

Q. (By Mr. JENKS.) About what percentage did the National Company control in the beginning?—A. That has always been a question in our own minds.

Q. Would you say a majority?—A. It is safe to assume that we had a large majority of the business.

Q. Did it run as high as 75 per cent?—A. I think it must have, because even at the latter end of its existence when it was operating with the Continental Wall Paper Company it was probably doing fully 60 per cent.

Q. Does the element of freight enter into this business to any material extent, so that when your National Wall Paper Company was organized you saved very much by eliminating cross freights and supplying from the nearest factories?—A. That applied through the establishing of our own jobbing branches. We were enabled to send goods to a central point in car lots, taking advantage of the water rates in the summer time, and all that sort of thing, and that kept down our freight expenses quite a little. If we had, as we used to do, shipped the goods out to a jobber during the year at less than carload rates, or in some such way as that, it would have made the expense of the freight greater.

NAMES AND LOCATION OF PLANTS FORMING THE NATIONAL WALL PAPER COMPANY.

Q. (By Mr. JENKS.) You might perhaps answer the general question as to the names and location of the different plants that entered into the combination.—A. The following is a list:

Manufacturing branches purchased by the National Wall Paper Company.

Branch.	City.	State.
Badger Paper Co	Kaukauna	Wisconsin.
H. Bartholomae & Co	New York City	New York.
Frederick Beck & Co	do	Do.
M. H. Birge & Sons	Buffalo	Do.
Boston Wall Paper Co	Boston	Massachusetts.
Carey Bros	Philadelphia	Pennsylvania.
Cresswell & Washburn	do	Do.
Frankford Wall Paper Co	Frankford	Do.
Henry Gledhill & Co	New York City	New York.
Robert Graves Co	Brooklyn	Do.
Graves & Streeter	do	Do.
Howell & Bros	Philadelphia	Pennsylvania.
F. E. James Co	New York City	New York.
Janeway & Carpender	New Brunswick	New Jersey.
Janeway & Co	do	Do.
Keystone Wall Paper Co	Philadelphia	Pennsylvania.
Leissner, Midlen & Hughes Co	New York City	New York.
John J. Lindsay & Co	Brooklyn	Do.
W. H. Mairs & Co	do	Do.
Manhattan Wall Paper Co	New York City	Do.
Nevius & Haviland	Brooklyn	Do.
W. N. Peak	do	Do.
Thomas Strahan & Co	Chelsea	Massachusetts.
Warren, Fuller & Co	New York City	New York.
Wilson & Fenimore Co	Bristol	Pennsylvania.
A. A. Yerkes Manufacturing Co	York	Do.
Robert S. Hobbs & Co	New York City	New York.

Jobbing branches purchased by the National Wall Paper Company.

Lartz Wall Paper Co	Chicago	Illinois.
S. A. Maxwell & Co	do	Do.

TRUSTS WHEN OPPRESSIVE DESTROY THEMSELVES BY AROUSING COMPETITION.

Q. (By Mr. Phillips.) Have you anything to add of your own motion that would be of use to the commission or of interest to the public in regard to this industry?—A. Why, simply this, perhaps, that I do not think that the public need ever fear the effects of trusts. When they become oppressive, or when they attempt to become oppressive by advancing prices, they immediately arouse competition, which solves the problem for itself.

Q. That is proved in your own experience?—A. That is proved in our experience, although we were not in any sense a trust, and by a good many other concerns that have perhaps not been as fortunate in being able to get out of their troubles as we have.

Q. Is there not danger of a trust growing so large that it can follow an independent producer into a given market, undersell him in that market, recoup from the whole public, and drive him into other business?—A. Yes, if any company can absolutely control an article, it can do that, as you say. It can drive a man out of business wherever he attempts to start up.

Q. Well, you said that 80 per cent would control the market?—A. But would control it for the time being only, because competition would immediately follow. I can conceive that so absolute a control of an article can be obtained that the control can be made permanent; but even then it might not be anything very oppressive, because if the parties handled it rightly they would not try to squeeze too much out of the public.

Q. Are monopolies generally disposed to do that, to deal fairly with the people? Has that been the history of them?—A. Well, that is a pretty broad question; I would not want to answer that.

Q. (By Mr. Kennedy.) I would like to ask a hypothetical question. If a combination has control of 80 or 90 per cent of the business, and you see people who are independent in the same business making millions in the same year, you would think there was no danger from a combination of that kind then, would you?—A. That is my idea exactly.

Q. (By Mr. A. L. Harris.) Would they not be able to follow the prices of the big combination?—A. Yes; they would let the combination fix the price.

Q. (By Mr. Phillips.) In that case the public would suffer the same as if the price were fixed by only one concern?—A. Yes; certainly, but in no different manner than in any industry in which there is the most extensive competition. Prices on staple articles acquire an established value.

(Testimony closed.)

THE TOBACCO COMBINATIONS.

WASHINGTON, D. C., *May 9, 1901.*

TESTIMONY OF MR. HUGH CAMPBELL,

President United States Tobacco Company.

The commission met at 10.45 a. m., Mr. Phillips presiding. Mr. Hugh Campbell was introduced, and, being duly sworn, testified as follows:

Q. (By Mr. JENKS.) Will you give your name, address, and business?—A. Hugh Campbell, president of the United States Tobacco Company, Richmond, Va.

Q. When was your company formed?—A. In 1899.

Q. Had you been in the tobacco business before the company was formed?—A. Yes.

Q. With what other companies?—A. I was vice-president of the J. Wright Company.

Q. How long have you been in business with your present company?—A. Since its organization. Before going into the J. Wright Company I was in the leaf-tobacco business and am still in it.

Q. Was the J. Wright Company sold out to the United States Company, or what became of it?—A. It was sold to the Continental Tobacco Company.

NATURE OF THE LEAF-TOBACCO BUSINESS.

Q. Will you explain briefly what the nature of the leaf business is?—A. Buying tobacco on the warehouse floors from planters and rehandling it; putting it up suitable for manufacturers.

Q. Will you explain briefly the nature of the leaf business as regards buying from the planters?—A. In Virginia and North and South Carolina the tobacco is sold mostly on the warehouse floor at auction.

Q. The planters themselves bring it to the warehouse and sell it?—A. As a rule the planter drives in with the tobacco on his wagon, delivers it to the warehouse; it is put out in piles on the floor and is sold to the highest bidder for cash.

Q. Is there an inspection and sorting of the different grades?—A. The planter grades it as closely as he can. Some planters grade it better than others. That is the way it is sold.

CHARACTER OF BUSINESS CONTROLLED BY THE UNITED STATES TOBACCO COMPANY.

Q. This United States Tobacco Company, of which you are president, is engaged in what line of tobacco business?—A. The manufacture of plug and smoking tobacco.

Q. Do you manufacture or sell any tobaccos aside from smoking plug?—A. We manufacture all grades of smoking and chewing plug, cut plug, and granulated tobacco.

Q. Besides the plug tobacco?—A. Some people chew cut plug. The majority of it is plug and cut plug and granulated tobacco.

Q. Where do you sell your product mostly?—A. Largely in the New England states.

Q. Do you sell also through the central and western states?—A. We sell throughout the United States wherever we can and wherever we are allowed to do business.

Q. But mostly in New England?—A. We have done most of our business in New England.

Q. Do you export at all?—A. A little. Not largely.

Q. Where?—A. Different points.

RESTRICTIONS PLACED UPON THE TOBACCO TRADE BY THE CONTINENTAL TOBACCO COMPANY.[1]

Q. You spoke of doing business in New England and throughout the United States so far as you are allowed. What do you mean by "so far as you are allowed?"—A. I mean that a year ago the Continental Tobacco Company, manufacturing, owning, and controlling the brands of between 80 and 90 per cent of the tobacco sold in New England, went to the jobbers, through whom only it is possible to do a profitable and living business, and made this proposition: "Hereafter we will give you an extra discount of 3 per cent, provided you do not handle the brands of certain other companies—new companies just starting, one of which is the United States Tobacco Company." At the same time the jobbers were getting 2 cents a pound on the tobacco sold to the retailers. So that proposition gave to the jobber 2 cents a pound plus 3 per cent. That made quite a difference to us and to other independent companies—made it practically impossible to do business in New England. There are many small retailers who can only buy in very small quantities, and the manufacturer can not deliver to the small retailers. For instance, a newspaper stand carries a few brands of tobacco, and, since the manufacturer can not deliver to him, he must employ the jobber. There are several different brands of different manufacturers which the retailer can buy from the jobber, but, if he were to purchase directly from the manufacturer, he would probably want only one of the manufacturer's brands, and the cost of delivery would be too much. So by this action they shut off the channels through which the manufacturer reached the retailer, and through the retailer the consumer.

Q. They offered this extra 3 per cent discount provided the jobbers would handle no brands but their own?—A. At that time the restriction did not go so far, but simply prohibited their handling the brands manufactured by four new companies, of which ours was one. Later, on the 1st of January this year, that proposition was changed. They found that some jobbers were willing to do business for the 2 cents per pound and lose the 3 per cent. A jobber might be able to make a living, do business, and cover his expenses at a profit of 2 cents a pound. Some few did continue to sell outside goods. On the 1st of January, or about that time, the proposition was changed, and instead of giving 2 cents a pound the manufacturers gave 1 cent a pound, and if the jobbers refused to handle independent goods they got 5½ per cent extra discount. No jobber can do business on 1 cent a pound.

Between May, 1900, and this time here and there throughout New England, a few jobbers have been cut off from getting the trust's brands altogether by reason of their independence. The trust refused to sell them goods, not because there was a question of credit at all, but simply and only because they persisted in handling independent goods. That has had a deterring effect on others, of course. They have been held up as a warning to all who might be inclined to go and do likewise; and to-day, and for the last 12 months, there has been a "reign of terror" in New England. Dealers are afraid to sell, as they would like to do, goods that they have bought and paid for.

Q. Were these contracts with the jobbers written contracts?—A. No; not a scratch of the pen.

Q. The contract is made orally?—A. I did not say it was a contract; it was a proposition.

Q. It is a proposition that nevertheless has been accepted and has been acted upon?—A. It has been acted upon, unquestionably.

Q. When you speak of the proposition being accepted and acted upon, I suppose you mean from both sides; that is to say, some jobbers have taken the brands of the Continental Tobacco Company and refused to handle the brands of these independent companies, and they have received the discount of 5½ per cent besides the 1 cent a pound?—A. Yes. My first information on this point was gained in April of last year. I was in Boston, and while calling upon a large jobbing concern one of the firm said to me: "We are doing very well with your goods. We are glad to handle them. They are good goods." At that time they were ordering regularly from us. A few days afterwards Mr. Kingsbury, treasurer of the Continental Tobacco Company, appeared in Boston, and within 48 hours of his appearance there our goods were thrown out by that concern, and they refused to handle them any more. Very soon through other sources we learned of this general proposition made to all jobbers of 2 cents a pound and 3 per cent discount. We do not know for a fact that that firm refused to handle our goods by reason of that proposition, but it is very plain that it was so.

Q. You do know they had that proposition?—A. No; I can not say that I do know that. I will not say that because they would, of course, refuse to give any informa-

[1] See pp. 310–311, 320, 330, 332–338, 340–341.

tion as to that. But on a Friday in April, 1900, they were well pleased with our goods, and selling them freely. The following Tuesday Mr. Kingsbury appeared in Boston, and on Thursday of that week they refused to sell our goods, and other jobbers all through New England had received this proposition.

Q. This proposition applies, then, as you understand it, solely to plug tobacco?—A. Plug and cut plug.

Q. You said this first proposition of 2 cents a pound and 3 per cent discount was offered provided the jobber did not deal in the goods of 4 independent companies, of which the United States Tobacco Company was one?—A. Yes.

Q. And the other three?—A. The Wetmore Tobacco Company of St. Louis; Finzer Brothers of Louisville; and the Manufacturers' Tobacco Company, also of Louisville.

Q. (By Mr. PHILLIPS.) Are those three companies still independent?—A. They are.

Q. (By Mr. JENKS.) After this last proposition was made, of 1 cent instead of 2 per pound, and 5½ per cent instead of 3 per cent discount, was the limitation made also upon the goods of these four companies?—A. No; it was changed a little. The limitation was that they should handle no goods manufactured by a new company and no new brands manufactured by any company.

Q. What was meant by a new company?—A. A company that had started since the Continental Tobacco Company started.

VALUE OF REPUTATION POSSESSED BY POPULAR BRANDS OF TOBACCO.

Q. You have spoken of the fact that these contracts were made with reference to brands. Are the brands themselves in the tobacco business of large value? Does the brand get an established reputation and help the sale materially?—A. It does, unquestionably. When a brand becomes known and the consumer becomes acquainted with it, he calls upon his dealer for it, and the dealer is very anxious to get it. The better the consumer knows the brand if he likes it the more he wants it, and the more valuable it becomes, because the more readily it is sold.

Q. So you consider the brand itself a valuable asset?—A. Unquestionably.

Q. What are your leading brands?—A. Central Union Plug and Cut Plug, U. S., Pride of the East, Worker; but Central Union Cut Plug is the brand which the Continental Tobacco Company and its agents have been fighting most bitterly in New England.

Q. When the American Tobacco Company or the Continental Tobacco Company buys out small firms, they regularly buy the brands, I suppose?—A. I understand so.

RESTRICTIONS ON FUTURE BUSINESS OF PERSONS SELLING OUT TO COMBINATIONS.

Q. Do they make any further contract prohibiting the person who is selling out from going into the same line of business again?—A. Yes; I believe so in most cases.

Q. Was that true in your own case?—A. It was not. I was a minority stockholder and was sold out, and I was simply asked not to go into business for some years. I declined to agree not to do so.

Q. You say it is the usual custom, then, for a contract to be made with the person selling out that he shall not go into business for a number of years?—A. I believe so. I think it is a very natural thing to do; I have understood that that was the rule, and that most men have been under obligation not to go into business for a certain number of years.

Q. (By Mr. PHILLIPS.) Are they placed under a salary for not going into business, or is an extra consideration given in buying their plant?—A. A consideration was given in buying the plant, and in the case of the Continental Tobacco Company a good many of the men who sold out were given high offices for a time. I do not know why, but gradually they disappeared and ceased to be active officers of the Continental.

EFFECT OF CONSOLIDATIONS UPON THE PRICE OF RAW MATERIAL AND OF THE FINISHED PRODUCT.

Q. (By Mr. JENKS.) What, in your judgment, has been the effect of the organization of the Continental Tobacco Company on the prices of these brands of which you are speaking other than brands of plug tobacco in general?—A. Well, so far as the consumer is concerned, I do not think it has made any difference.

Q. So far as the producer of the raw material is concerned, what effect did it have?—A. The formation of the American Tobacco Company has had much more effect on the price of leaf grown in Virginia and in North and South Carolina than has had the Continental. The Continental does not use much of this bright tobacco grown in those States, whereas the American Tobacco Company does use large quantities

of it, and probably buys not less than 50 to 60 per cent of all that is grown. The formation of the American Tobacco Company compelled the farmers of Virginia and Carolina to be content with greatly reduced prices, especially upon cutters, a grade of tobacco used in the manufacture of cigarettes and for which grade the farmer does not now realize more than half the price received when the several companies composing the American Tobacco Company were competing with each other on the warehouse floors through their buyers or leaf dealers for this grade of tobacco. Almost the only competition that there is now (and it can hardly be counted as competition) is from exporters, who, as they buy a different grade of tobacco, their effect is not felt. Numerous leaf dealers have been driven out of business both in Virginia and North Carolina, as the manufacturing companies for whom they bought or to whom they sold have now gone into the trust. Now, as to the Continental, a large proportion of the tobacco it uses is burley tobacco and is grown in Kentucky and your Kentucky witnesses will tell you more than I can about the effect of the formation of the Continental on the Kentucky growers of tobacco.

PRICES PAID BY DEALERS FOR BURLEY TOBACCO.

Q. You, yourself, however, are buying that same tobacco, are you?—A. We buy that tobacco and manufacture it.

Q. What has been the course of prices in tobacco of that kind for the last few years?—A. There have been very large purchases of low grades by reason of short crops. The low grades have continued at good prices. The price of the finer grades has been very much reduced.

Q. As a manufacturer of plug tobacco, have you yourself been able to benefit by the fact that the Continental Tobacco Company has been in a position to lower somewhat the price to the dealers in these better grades?—A. We have proportionately just as far as they have. One thing neither the Continental Tobacco Company nor any other company can do, and that is control the price of the raw material exclusively for their own benefit; at least they have not yet devised a scheme by which they have been able to do so, nor can they so long as the present system of selling tobacco at auction continues. The less competition at an auction sale the less the price obtained is bound to be, and each buyer will benefit proportionately to the extent of his purchases. Buying so much tobacco as they do, they, of course, have a great influence on the price, but they can not buy any cheaper than the independent companies do.

PERCENTAGE OF OUTPUT PURCHASED BY DIFFERENT COMPANIES.

Q. What percentage of the entire output of the qualities that they use for their business do they buy?—A. I can not answer that.

Q. You spoke of the American Tobacco Company taking, in your judgment, 50 to 60 per cent of the Virginia and Carolinas product?—A. Yes.

Q. But you can not estimate so definitely the proportion the Continental Tobacco Company takes?—A. No; I am not clear enough on that. That is a matter that is very much disputed. A great many authorities differ on it, and I am not prepared to give an answer.

Q. Have you any information as to the total quantity of tobacco of these grades that is used in the country by all of the manufacturers?—A. No.

Q. About how much does the United States Tobacco Company use in the course of a year?—A. Well, we use, both North and South, a great many different grades; we use both western and eastern tobaccos. As I say, our company is only a young concern, trying to do a little business, and I would rather not state here publicly just what we are doing.

Q. I did not care for a detailed answer, of course. If you could give an estimate as to the possible percentage of the entire amount, that would be definite enough.—A. I could not do that; tobacco varies so much.

EFFECT OF THE INTERNAL-REVENUE TAX.

Q. I wish you would give us your opinion briefly with reference to the internal-revenue tax on tobacco, and as to the effects of the change of the tax.—A. Well, the change that will take place on the 1st of July will help the manufacturers and the dealers, that is all. It is not going to reach the consumer; I do not think it will help the farmer.

Q. Will you kindly explain what the tax is now, and what it will be when the new law goes into effect?—A. It is 12 cents a pound now, and on the 1st of July it is to be reduced 20 per cent.

Q. When was the tax put at 12 cents a pound?—A. When the Spanish war started.

Q. What was the effect of the increase in the tax at that time upon the price to the consumers?—A. It advanced the price. For instance, formerly a consumer got 2 ounces of tobacco for 5 cents. After the tax was changed the consumer got $1\frac{2}{3}$ ounces for 5 cents, and I believe that after the tax changes in July he will continue to get $1\frac{2}{3}$ ounces for 5 cents, and only that.

Q. What proportion of this added war tax did that make the consumer bear? You said he had formerly been getting 2 ounces of tobacco for 5 cents, and afterwards $1\frac{2}{3}$. Did that put practically all the burden of the tax upon him?—A. No; not entirely; on some brands he did pay the entire additional tax; on others he did not. Some manufacturers under the old tax made 2, 4, and 8 ounce packages, while under the new tax they have been $1\frac{2}{3}$, $2\frac{1}{2}$, and $3\frac{1}{3}$ ounces.

Q. On the other grades you think that the manufacturer must bear a part of the burden at any rate?—A. In some cases; yes.

Q. Did it affect the dealer, do you think, at all? A. I do not think it did. I do not see why it should.

Q. You think now that this reduction in the tax that is to come shortly will go practically to the benefit of the manufacturer?—A. The manufacturer and dealer.

Q. Manufacturers and dealers?—A. Yes. For instance, the Continental Tobacco Company, I understand, has announced that they will reduce their price 1 cent a pound July 1. They get a reduction in tax of 2.4 cents per pound, so that 1 cent a pound will be for the benefit of the dealer. The reduction in tax is going to be divided between the manufacturer and dealer, and will not reach the consumer.

ECONOMIES EFFECTED BY INDUSTRIAL COMBINATON.

Q. With reference to the organization of a large combination, such as that of the Continental Company, do you think that they have any advantages in the matter of saving of labor or saving of freights, or other advantages which from the point of view of the public would make such combinations advisable?—A. They may have some advantages in freights; they are not supposed to, however, if the interstate-commerce act is enforced. They may be able to buy a few things cheaper, but as regards the raw material—leaf tobacco, which is, of course, the principal ingredient entering into the manufacture of tobacco—they must make their purchases at auction on the warehouse floor just the same as any small manufacturer; in that they have no advantage. On the other hand, they have very expensive offices and officers, and I think that any little advantage they may have in the price of some materials, such as foil, printing, and so on, will be far more than offset by reason of the expensive way in which they do business and advertise.

ECONOMY IN ADVERTISING.

Q. Do you think that there is any advantage that comes from the consolidation in advertising? If, for example, they buy up, let us say, thirty or forty different brands and concentrate their strength largely upon a comparatively few, does that give them any advantage in advertising?—A. They are able to spend a great deal of money advertising. I notice that the brands of some few companies that went into the Continental are being advertised much more extensively than they ever were before.

Q. Of course, I am not asking for definite information in the answer to this question, but rather as to your views on the subject. Would you judge that by concentrating the advertising in that way on two or three brands, and stopping the advertising largely on others, perhaps dropping some brands entirety, there would be any economic gain to the combination?—A. There would be, but could they afford to drop the brands they bought and paid for? They have not done so, except some unimportant brands; they have not dropped brands advertised previously that I know of.

Q. It has often been suggested that if 20 independent companies who have been competitively advertising one against the other should come together and concentrate that advertising a great saving would be effected.—A. Theoretically that is right.

Q. Practically?—A. Practically that has not been the result, I think.

Q. You think that it is not a practical saving?—A. I think that if the facts were known the advertising even of the Continental Tobacco Company in the last year, would be shown to be fully up to that of the constituent companies. I do not know, but that is what I should think. As I said before, I know that some brands of some companies have been advertised more extensively than ever before.

THE EFFECT OF COMBINATIONS UPON EXPENSES OF TRANSPORTATION.

Q. With reference to the freight saving, there is another view besides the one which you mention. It has frequently been suggested that when a company was organized that took in several constituent companies from different sections of the country, large sums could be saved by the company's shipping from the plant situated nearest to the person giving orders and thus avoiding cross freights?—A. That could not very well be done in the tobacco business. A certain brand is made in a certain district, and they do not make the same brands in four or five of their factories. They make all of one brand in one factory as far as I have ever known. They have plants in Louisville and St. Louis and in Richmond, and they do not make the same brand in St. Louis and in Richmond, so that the Richmond brand if it were ordered in San Francisco would have to be manufactured and go from Richmond, and if the St. Louis brand were ordered in Boston it would have to be manufactured out there and shipped to Boston; so I do not see how they could save freights on it.

ECONOMY BY REDUCTION OF THE NUMBER OF TRAVELING SALESMEN.

Q. Is tobacco sold either by the independent companies or by the Continental Company largely through traveling salesmen?—A. Yes.

Q. Would you suppose that the consolidation of several independent companies into one would enable them to make a saving by lessening the number of traveling salesmen to do the same amount of business?—A. It would unquestionably do so, especially if there were no independent companies, but with independent companies springing up and having to be fought they are required to keep salesmen in the field. Still some saving can undoubtedly be made in that way.

MANAGEMENT OF THE INDIVIDUAL PLANTS OF THE CONSOLIDATION.

Q. (By Mr. Phillips.) Are these plants that have become part of this combination run by owners or stockholders or by employees?—A. By employees; those employees of course may be stockholders in a small way, but that is all.

Q. Is it your judgment that a plant of any account can be run as economically by employees as by owners?—A. Certainly not; every man is going to look closer after his own shilling.

Q. Then you would say there would be a loss to this combination in that regard?—A. I should certainly think so.

THE CONTINENTAL TOBACCO COMPANY LIMITS THE PRICE OF TOBACCO.[1]

Q. (By Mr. Jenks.) You have spoken of selling your goods largely through jobbers. Can you give us any information with reference to what has been called the factor system in selling tobacco?—A. There is no factor system in vogue now that I know of.

Q. Do you know whether it has been customary for the Continental Tobacco Company to insist upon a certain fixed price to consumers and upon a certain fixed price to retailers, and to permit the jobbers to get their profits through discount on goods sold?—A. Before a committee of the Massachusetts legislature a few weeks ago, a Mr. Bushnell, president of the Wholesale Groceries' Association of New England, appeared and said that in April, 1900, he went to the Continental Tobacco Company and asked them to put a limited price on its brands; by a limited price was meant that they should fix a price at which the goods would be sold to retailers by the jobbers. He went on to say that they said: "Well, what will you do for us if we do that for you, we are ready;" and then the Continental and Mr. Bushnell, according to his own testimony, got up this scheme that I have already spoken of, giving 2 cents a pound to the jobbers and 3 per cent discount to those who would refuse to handle other outside goods, so that they have had a limited price in New England since then until a week or two ago it was withdrawn in Massachusetts. There is no limited price now in Massachusetts. There is in the other states of New England.

Q. So that each jobber in Massachusetts is at liberty to make whatever price that he pleases?—A. Yes, in Massachusetts only.

Q. You say that in the other states this system of limited price is still in vogue?—A. In the New England states it still holds good.

Q. Does the Continental Tobacco Company sell directly to the retail dealers or large wholesale dealers, or only to the larger jobbers?—A. They sell to the jobbers and prepare a list of what is known as sub-jobbers, those to whom large jobbers sell. The jobbers sell to those sub-jobbers who get very nearly the same price that the jobbers would get.

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[1] See pp. 306, 320, 330, 332–338, 340–341.

Q. You have spoken with a great degree of definiteness concerning the forms of agreement, as to discounts and so on, between the Continental Tobacco Company and the jobbers. You have said that in some cases at any rate these contracts were not in writing. Is the source of your information first hand?—A. I have never heard of any written contracts; the information has come to me through personal contact with jobbers in New England, and has been confirmed by the testimony before the committee that I spoke of. I did not know anything about this Mr. Bushnell's experience until he came out and testified. That was confirmatory of what every jobber in New England had done months before.

Q. Your information is directly from jobbers who have themselves made these contracts?—A. Who have themselves agreed to these propositions. In many cases jobbers who have refused to handle our goods and who are still refusing to handle them, have told me that they would be glad to handle them, but they couldn't; they dared not. I went into Fall River last October, and found from our salesman there that the three jobbers who were handling our goods there at that time were about to throw them out. I went around to see them. They all told me they had to do it; they could not live without Continental goods, and that although they were doing very well with ours, still they would have to put them out, because our goods and independent goods were only a small proportion of the business they did, and they were afraid to do anything else.

GOVERNMENT SUPERVISION AND CONTROL OF INDUSTRIAL CORPORATIONS.

Q. I judge from your earlier statement that you consider this method of doing business something of an industrial abuse. Have you any suggestions to make with reference to remedies?—A. Well, I think it ought to be prohibited. I think we ought to live and let live; I think a man like myself, living in the state of Virginia—a state that has been interested in tobacco for generations—should be allowed to go into the tobacco business if he wishes, and make a living for himself and family, and be entitled to sell to whoever is willing to buy and pay for the goods.

Q. You say you think this practice ought to be prohibited?—A. I certainly do.

Q. What form of legislation do you suggest?—A. Well, the Government takes hold of railroads and other public corporations and controls them to a certain extent. I would say that corporations whose stocks are sold to the public on exchanges should be under governmental control. You have bank examiners; you should have examiners for the industrial corporations.

Q. You think, then, that all corporations whose stocks are sold on the market should be subject to examination by Government officials?—A. Yes; and should be under control, and not allowed to sell goods in Virginia and Massachusetts at different prices from what they ask the man from Maine to pay.

Q. You think that the law, then, should provide that goods of the same grade should be sold to all consumers who are under substantially equal circumstances at the same rate?—A. And without discriminating against him. That is to say, goods ought not to be sold upon the condition that the purchasers shall not handle the goods of competing companies. If not, how long will it be before you have a complete monopoly?

Q. (By Mr. Phillips.) You would consider that in restraint of trade, would you?—A. Unquestionably.

TERRITORY IN WHICH PREFERENTIAL RATES WERE GIVEN BY THE CONTINENTAL TOBACCO COMPANY.

Q. (By Mr. Jenks.) You said these contracts name specifically the brands of 4 different companies. Do you know whether this special discount for refusing to handle the brands of these special companies was tried at all outside of the immediate territory where these companies were doing business? Is it a general contract made all over the United States for one particular set of jobbers handling your goods?—A. Only in the New England states so far as I know. You understand the Continental Tobacco Company, as has been testified by a good many jobbers in New England, own and control 80 per cent of the brands in demand in that section of the country, and consequently it was very important to them to be able to induce the dealers to take their goods.

Q. (By Mr. Phillips). Did they lower the price at places where they met competition from independent concerns, at the same time keeping the price up at those points where such competition did not exist?—A. No, I won't say that. In the first place, I

am not as well posted on other sections of the country as I am on New England. That is where we have been doing our principal work, but they have unquestionably had different prices and different schemes in different sections of the country. They have had one scheme for the South and another for New England. You understand that this proposition did not affect the price to the consumer at all; it was only the dealer who was affected by these propositions, and we were shut out from reaching that consumer by reason of the dealers being prohibited from handling our goods.

Q. (By Mr. A. L. Harris.) Do you consider that the United States Tobacco Company has been injured financially by the stand the Continental company has taken in New England?—A. At first it was quite serious, but we have been able to overcome it to a certain extent by hard fighting and hard work. We have not made the progress, however, we would have made if we had been free.

REMEDIAL LEGISLATION DESIRED.

Q. Have you ever taken advantage of the anti-trust law that gives you a remedy?—A. No; that would be like a mosquito trying to fight an elephant, to do a thing of that kind. We have enough to do to try to sell a few goods.

Q. If you could prove damage could you collect it?—A. Probably, but damage is a pretty hard thing to establish, especially as we are not doing all of our business in New England, and are working elsewhere to do business and are making some progress. As I say, we have not made the progress we would have made had we been free.

Q. Would an inducement of damage to three times the amount of the judgment that you could prove be sufficient?—A. I do not think it would, because while we were doing that our business would be neglected. I have been in law cases once or twice in my life, and do not like them; they are very absorbing, take up a great deal of time, and, as I say, we have our own business to attend to.

Q. You think the Government should interfere in such a case?—A. I think the Government should, unquestionably. I think we ought to be protected. We are entitled to some protection; we are entitled to do business.

THE PURCHASE OF AMERICAN TOBACCO FOR THE REGIE OF EUROPE AND FOR JAPAN.

Q. (By Mr. Farquhar.) You said you thought the American Company were purchasers of about 60 per cent of the bright leaf of the Virginias and Carolinas. Are there any other purchasers in that field except the independents and the American Tobacco Company?—A. Yes; leaf dealers who are buying to sell to independent factories, and exporters of leaf tobacco.

Q. Have you any practical knowledge of the tobacco for export purchased in your section for the regie of Europe?—A. In Virginia the dark tobaccos are purchased for regie contracts, for Austria-Hungary, and so on. That has not affected those bright tobaccos at all except during the last 12 months. Formerly leaf dealers bought for the Japanese. The American Tobacco Company, we understand, have control of that market, and these dealers are no longer buying for export to Japan. That also has affected the price of leaf tobacco in North and South Carolina and Virginia. I am talking of bright tobacco.

Q. In what states do the purchasers for the British market procure their supplies?—A. In these three states.

Q. And Kentucky?—A. And in Kentucky, yes. Dark tobaccos are bought very largely by some.

THE EFFECT OF THE EUROPEAN DEMAND UPON THE PRICE OF AMERICAN TOBACCO.

Q. As a tobacco man, do you regard these purchasers either for the European continent or for the British market as competitors?—A. Not to a very large extent. They buy different grades of tobacco. The exporters buy export leaf; the American Tobacco Company buys smokers and cutters, etc.

Q. As a practical tobacco manufacturer, what effect do you think that the purchase for these European governments which close their doors against American tobacco has on the American product and its price?—A. The American Tobacco Company purchases now for Japan, and the effect has certainly been to keep down very materially the price of the grades that formerly were exported to Japan. Two years ago there was a good deal of tobacco being bought for export to Japan, and the farmers were getting delightful prices—well, prices at which they could make some money. Very soon the American Tobacco Company bought the largest cigarette concern in Japan, and by degrees they got control of the purchasing of tobacco. At least, we hear no

more of the Japanese buying direct from dealers. At that time it was the dealers who were buying this tobacco for export to Japan.

Q. The purchases of tobacco that were made for the European markets were then for the governments of Europe, like France, Italy, Austria, Spain, and others, who own all tobacco and buy it and dispose of it afterwards to their people? These companies and the American Company you say now almost control the price?—A. These countries—France, Austria-Hungary, and Spain—use only dark tobaccos. They don't buy those bright tobaccos at all, or they buy so little it does not count, so that they and the American Tobacco Company don't come in contact at all.

Q. I am speaking of the whole product of tobacco.—A. You know tobacco varies as much as wheat and rye.

Q. How are the purchases made now by the European governments?—A. Through representatives; through regies.

THE EFFECT OF THE TOBACCO MONOPOLY UPON THE GROWERS OF TOBACCO.

Q. Is it a fact that manufacturers are limited to almost one thing in each state? Is it a fact, now, that it has become a monopoly even in the purchase?—A. Unquestionably.

Q. What is the opinion of the growers of tobacco in Virginia and the Carolinas in respect to these closed doors against American tobacco in Europe?—A. The growers of tobacco are very sick of their job, undoubtedly. Last year the acreage in North and South Carolina was unquestionably reduced 30 to 40 per cent; some claim 50 per cent; and even with that short crop—prices have not gone high. Had there been no American or Continental Tobacco Company the farmers would have received, I believe, this past year twice the price they have received. Bright wrappers that in 1894 were selling on the warehouse floor at from $60 to $75 have sold at from $30 to $40. That is one item.

Q. (By Mr. PHILLIPS.) Sixty to $75?—A. A hundred pounds; that is one item. Wrappers have been very scarce in this last crop, and if the companies had all been independent—competing with each other for this short crop of wrappers—the price would have been very much better for the farmers.

PROBABLE EFFECT OF FREE TOBACCO FROM CUBA.

Q. From the fact that the American and Continental tobacco companies control so much of the product, and the purchasers for the European governments also control a large percentage, what is the view of the southern raiser of tobacco as to the result if we should have free tobacco from Cuba?—A. Well, the tobacco from Cuba would not come into competition with the tobacco grown in Virginia and North Carolina. It is a different tobacco altogether.

Q. How about Connecticut?—A. I should think it would affect that, but that is a tobacco I do not know anything about. It is entirely different from the tobacco we use.

Q. What is the proportion of consumption in the manufacture of bright leaf and dark leaf?—A. In this country there is a great deal more bright tobacco used than dark; the dark is exported principally to those countries you have named.

COMPETITION IN THE PURCHASE OF LEAF TOBACCO.

Q. Now, do those countries compete with each other for this product?—A. Not very much. They have a little arrangement among themselves by which they do not compete very keenly.

Q. (By Mr. FARQUHAR.) A few years ago did competition exist when there were 20, 30, or even 40 dealers in tobacco in Virginia who sold to the European governments?—A. Decidedly.

Q. But now that there is only one there is no competition?—A. That is it.

Q. In other words, there is practically no competition for the bright leaf; the dark leaf being used for export and the bright leaf being used in America?—A. Very little competition.

Q. That is the statement you want to make to the commission?—A. That is the statement. The farmer is realizing that more and more, and is getting more and more disgusted with the raising of tobacco, because even if he is getting the same price he is not so well satisfied if he sees only one or two buyers as if he sees 20.

THE PRICE OF TOBACCO WITHIN RECENT YEARS.

Q. (By Mr. JENKS.) Were prices materially less in 1900 than in the two years preceding, the years 1898 and 1899?—A. On fine grades of tobacco, yes; on low grades, no. Low coarse grades costing under $5 have been relatively high, but it is the high prices for the high grades that raise the farmer's average, and it is the average price per acre that is going to tell the tale. In some of the principal markets in North Carolina, Wilson and Rockymount, the average last year was, I think, 6½ cents. Wilson sold 18,000,000 pounds; Rockymount, 12,000,000. These were the averages.

Q. (By Mr. LITCHMAN.) Can you give any comparison of the prices of the last three years with prices from 1894 to 1897?—A. No, I can not very well. You see different grades have been affected differently. Sometimes one grade is short in one crop and heavy in another. It is not like wheat; not like cotton. There is such a tremendous variety grown by the farmers; they vary their crops from year to year.

Q. Have this year's prices materially differed from those of last year?—A. Well, I should say that the low grades of bright tobacco have been much higher; the low grades that have been exported to England principally have been higher. The better grades have been a good deal lower.

DIFFICULTY OF OBTAINING EVIDENCE FOR PROSECUTION UNDER THE SHERMAN ANTI-TRUST LAW.

Q. It was suggested to you that you might avail yourself of the remedy offered by the anti-trust law in bringing suit for restraint of trade of which you complain, by reason of this monopoly. In that connection do you think there would be any difficulty in obtaining evidence from the parties who have entered into these tacit understandings, or what you would call private agreements, with the Continental Tobacco Company?—A. It would be impossible to get voluntary evidence, I think. The Government could command evidence, I suppose.

Q. You think there would be a timidity on the part of the purchasers to give the evidence?—A. Unquestionably, because they would suffer the consequences.

Q. For that same reason would you object to giving the names of these parties you refer to that you think have such an agreement with the company?—A. The whole list of jobbers through New England. You can take Bradstreet's book and find them in every town. I can give you the names of a good many.

Q. I do not press it if you think there is any danger coming to the parties themselves, you understand?—A. I will give you some names.

Q. One moment. I don't ask this question for you to give the names if it is going to cause any trouble to these parties at all.—A. You understand these parties have ceased to be our friends.

Q. So you do not feel any mercy toward them?—A. If it will do any good I will give them: MacGeenery Bros. & Manning, of Boston; Louis Jesselson, Boston. The three jobbers in Fall River who threw out our goods are Allen, Slade & Co., P. E. Cox, the Coffey Estate. In Providence, R. I., Humphrey & Cornell Company, Finney & Co., Anthony, McGee, and two or three others whose names I do not remember. In New Bedford, Driscoll, Church & Hall, Potter; I can hand you a long list if you want it.

Q. You have given sufficient. It has been a general matter throughout New England?—A. All over New England.

Q. (By Mr. PHILLIPS.) Your firm has been thrown out not on account of complaints of your tobacco, but because of these offers that you have named?—A. No complaint at all of our tobacco. The only complaint was that it was too good, that is all. If the tobacco was inferior or too high priced, then we would not have had to meet this at all, because then we would have had a natural death; but the fact that our goods were good and we were able to sell them at the right prices caused the combination to see what was ahead.

THE UNITED STATES TOBACCO COMPANY AND ITS EMPLOYEES.

Q. (By Mr. FARQUHAR.) What would you say was your most popular brand?—A. Central Union.

Q. Was that title chosen as the workingman's anti-trust brand?—A. No, I do not know that it was; we did not choose it especially for that.

Q. It is not taken from the title of any organization?—A. No, there is a Central Labor Union, of course, but it is not from that.

Q. (By Mr. LITCHMAN.) Is the help employed by you organized help?—A. Yes.

Q. They have a regular organization among the workers?—A. The International Tobacco Workers' Union.

Q. Your relations with that organization are pleasant, are they?—A. They are.

Q. You have arrangements with them as to the fixing of the wages?—A. The advisory board in each town or each section fixes the wages, and their schedule is confirmed by the international board.

Q. And that is done in conjunction with some one representing your firm?—A. No; they promulgate the scale and we agree to it.

Q. And that is for a certain period of time?—A. Unlimited time. There are some questions; there was a new scale adopted last December.

Q. Was this scale also fixed?—A. It was onerous and afterwards changed, and has been modified since that.

Q. Modified to the advantage of the employers?—A. Yes.

Q. Does this schedule also regulate the hours per day?—A. Ten hours per day, but still we can employ overtime by paying extra, paying time and a half.

Q. Is your help all male help?—A. No; male and female.

Q. What is the proportion of each?—A. About two-thirds male help.

Q. Can you give a general idea of the rate of wages, minimum and maximum and average?—A. I should say our hands made from \$3 to \$12 a week.

THE SHERMAN ANTI-TRUST LAW.

Q. (By Mr. CLARKE.) Are you familiar with the terms of the United States anti-trust law?—A. Not especially. You mean the Sherman law?

Q. Yes.—A. I know a little of it, not much about it; I have read it.

Q. Have you made complaint to any district attorney where you have suffered?—A. We have not.

Q. Would it be an object to you to make a complaint if you knew that the law made it the duty of the district attorney and also of the attorney-general of the United States to institute prosecutions for violations of that law?—A. I do not see how it would; the difficulty is to get the evidence. Those who are still controlled, those who have thrown out our goods, won't give voluntary evidence, and if I should go to a district attorney and tell him this story he would say, "Bring proof." I can not bring that proof.

Q. Could you think of any improvement of the law which will make the getting of evidence easier?—A. Well, if we had the right to make these men come up and testify under oath we might get it.

Q. Haven't you that right now?—A. I do not see how we could, and as I say besides we could not afford it; it would be too expensive business for us to go to law with a corporation of this magnitude. One company tried it for years, and they are out of existence to-day. The National Tobacco Company carried on suits for years in New Jersey against the American Tobacco Company, and they were carried over year after year, at least for a long time; if they failed, with all the capital they had behind them, it would be pretentious for a little concern like us to make such an attack.

Q. I am not talking about private suits, but public prosecutions?—A. As I say, the difficulty is to get the evidence.

Q. Isn't that a difficulty that attends the administration of all criminal law?—A. Probably it is. I am only a business man; not a lawyer.

Q. How can laws be made that will be self-executing and leave citizens entirely free from responsibility to furnish evidence?—A. They can not be.

Q. Now, we are here to find out the facts and recommend to Congress some change in this law which will improve it, if possible.—A. Yes.

Q. And we can get this only from the experience of men and companies under the administration of the law. I was in hopes you would be able to state some respect in which the law can make the getting of evidence easier?—A. I would hardly presume to go into that at all.

Q. (By Mr. PHILLIPS.) Did you not partly meet that question by the statement that we should have a public examiner?—A. He would know a good deal of this. I do not know how it could be done. I think this, however, that a great many individuals and small firms like ours incorporate their business. Our concern is an incorporated company, but the stockholders are only a few friends joined together; the company is not a public corporation at all; its stock is not sold, and the laws that would apply to large corporations and trusts should not apply to these little firms. That is why I suggest that this law should deal with industrial corporations whose stocks are sold to the public.

Q. (By Mr. Clarke.) Well, I do not know as I ought to press the point I was making. It is only a question, it seems to me, of getting evidence?—A. That has been the difficulty.

Q. For that the administrators of the law necessarily depend largely upon the citizens?—A. Grand juries, when upon information they hear of any wrongdoing, take up the case and present it, do they not?

Q. The grand jury has to examine witnesses.—A. Very well; that is all we need in this case, to examine witnesses; we could not do that.

Q. If you will furnish to the district attorney a list of witnesses in this case, do you not think he will institute an inquiry?—A. We have not thought so.

Q. Have you any reason for thinking he would not?—A. No, not especially; we have not tried it at all. As I say, we have gone on trying to sell our goods. That is what we have been giving particular attention to. We have given some little attention to getting a law passed in Massachusetts, where we suffered especially, that would make it impossible for the trust to make these discriminations.

Q. Have you more confidence in a state law, or the administration of it, than in a national law on this subject?—A. No, certainly not.

THE PROPOSED MASSACHUSETTS LAW FOR THE PROTECTION OF TRADERS.

Q. Is the change concerning which you have testified in Massachusetts as compared with New England generally due to your appearance before the committee of the Massachusetts legislature, do you think?—A. Well, I do not know that; I do not know what brought around the change. The bill of which I speak passed the house by 174 to 8; it is now in the senate.

Q. Are you able to state the terms of that bill?—A. I have a copy of it.

"A BILL to provide for the protection of traders.

"First. No person, firm, or corporation doing business in this Commonwealth shall make it a condition of the sale of their goods, wares, or merchandise that the purchaser shall not sell or deal in the goods, wares, or merchandise of any other person, firm, or corporation.

"Second. Any person, firm, or corporation, or the agent of such person, firm, or corporation, who violates the provisions of section 1 of this chapter shall be punished for the first offense by fine of not less than $50 and not exceeding $100, and for each succeeding offense by fine of not less than $100 and not exceeding $500, or by imprisonment in the house of correction for a term of not exceeding 1 year, or by both such fine and imprisonment."

Q. Is not that subject covered by the national law already on the statute book?—A. It may be, but the national law did not come to our relief, and we are hoping that we may get relief there where we are most seriously affected.

Q. If this bill becomes a law it will have to be enforced by substantially the same kind of machinery as the national law, will it not?—A. The independent companies are all interested in this bill and have been aiding some, giving evidence, etc.

Q. The district attorney of the state of Massachusetts will have to institute prosecutions under that law, will he not?—A. Unquestionably; yes.

Q. Just exactly the same as the district attorney of the United States has to institute prosecutions?—A. Yes.

Q. How are you to be benefited by a state law which is no better than a national law, is substantially the same in its provisions, and covers only one state where the national law covers the whole country?—A. A national law would be better were it enforced. It would be very much better for us, of course; there is no question about that, because this is only going to apply in one state. But in Massachusetts the facts are well known, the newspapers have discussed them, and the district attorney there would proceed. We would not be required to get up information and testimony, because he would have it right at his door.

Q. Do you think that any district attorney in Massachusetts, under the state law, would institute prosecutions of his own accord without any complaint by any person?—A. Probably not. I do not know what the procedure is there, but there have been men who have suffered enough in Massachusetts to bring the matter to the attention of the district attorney unquestionably.

Q. Do you not know that there is a United States district attorney in Massachusetts?—A. There must be, of course.

Q. (By Mr. Phillips.) Does or does not the Sherman anti-trust law require the attorney-general to bring the action or direct the district attorney to begin the suit? That is, it can not be brought by the district attorney without coming through the attorney-general?—A. I presume not. I presume that the attorney-general as the superior officer gives his orders.

THE UNITED STATES TOBACCO COMPANY AND ITS JOBBERS.

Q. (By Mr. JENKS.) In dealing with jobbers has your company offered any special inducements by means of added discounts or anything of that kind, on condition that the jobber would deal exclusively in your goods?—A. It has not.

Q. Have the independent companies themselves made any organized effort to get the jobbers to handle their goods exclusively, to the exclusion of the products of the Continental Tobacco Company?—A. Not that I know of; no.

Q. (By Mr. FARQUHAR.) Do you sell your goods at the same rates to all the jobbers in the city of Boston, for instance?—A. We do; we have one fixed price list.

Q. That price list obtains in all cities where you sell your goods?—A. Yes, the competition from the trust, understand, is not a question of prices at all. We are not afraid to meet them on that ground. We can produce our goods just as cheaply as they can. We are not afraid of any fair competition. We do not ask protection at all from the prices; we simply think we should be protected from their method of doing business, and that is all we want.

Q. (By Mr. LITCHMAN.) A fair field and no favors?—A. That is all we want.

(Testimony closed.)

WASHINGTON, D. C., *May 9, 1901.*

TESTIMONY OF MR. JAMES B. DUKE,

President of the American and Continental Tobacco Companies.

Q. The commission met pursuant to recess at 2.05 p. m., Mr. Phillips presiding. Mr. James B. Duke, of New York City, president of the American and Continental Tobacco Companies, was introduced, and being duly sworn, testified as follows:

CAPITALIZATIONS OF THE AMERICAN AND CONTINENTAL TOBACCO COMPANIES.

Q. (By Mr. JENKS.) Will you tell us when the American Tobacco Company was organized?—A. In the first part of 1890.

Q. What is the capitalization of the company?—A. $70,000,000.

Q. How is that divided?—A. There are $14,000,000 preferred, $54,500,000 common, and there is $1,500,000 in the treasury that has not been issued.

Q. Has the capitalization of the company been increased since its formation?—A. Yes.

Q. What was the capitalization to begin with? Will you tell us about the increase?—A. $25,000,000 at first, and then it was increased to $35,000,000; it was not all issued at that time. Afterwards an increase of the common stock to $56,000,000 was authorized, of which $54,500,000 was issued.

Q. When was the Continental Tobacco Company formed?—A. The last of 1898.

Q. What is the capitalization of that company?—A. $100,000,000.

Q. How is that divided?—A. $50,000,000 preferred and $50,000,000 common. There is about $1,000,000 of each in the treasury yet unissued.

RELATIONS EXISTING BETWEEN THE AMERICAN AND THE CONTINENTAL TOBACCO COMPANIES.

Q. What is the nature of the business of the American Tobacco Company? What do you deal in and what do you manufacture?—A. We manufacture all forms of tobacco, with the exception of cigars and plug tobacco.

Q. And of the Continental Company?—A. They make plug and smoking tobacco.

Q. The American Tobacco Company makes smoking tobacco also?—A. Yes.

Q. Did the American Tobacco Company manufacture plug tobacco also before the organization of the Continental Company?—A. Yes; they sold out their plug business to the Continental Company.

Q. What are the relations between these two companies?—A. There are no relations other than that the American owns quite a large amount of stock in the Continental Company.

Q. To what extent are the officers the same?—A. The officers are all different with the exception of the president. I am president of both companies. I believe that some of the directors are directors in both.

Q. The intention, according to the statements in the newspapers at the time of the organization of the Continental Company, was to enable that company to take charge

to a considerable extent of certain lines of business which the American Tobacco Company thought best to handle more independently, and that the two companies should work together in harmony; was that the general understanding?—A. There is no agreement to that effect. The American sold their plug business to the Continental and took stock for it, and that is all there is to it.

Q. Are the largest stockholders to a considerable extent the same in the two companies?—A. I can not tell about that. The stockholders change. I know that some of them have stock in both.

THE EXPENSE OF ADVERTISING BEFORE AND SINCE THE CONSOLIDATIONS.

Q. Have the American Tobacco Company or the Continental Company, been able to make any material economies by virtue of consolidation?—A. That is pretty hard to say. Business is conducted, of course, on a larger scale than in any of the independent concerns that were bought out by the Continental and the American. Of course, we can not tell just how the other fellows conduct their part of the business.

Q. In connection with the matter of advertising that was spoken of this morning, does the American Company advertise as largely in your judgment, or expend as much money for advertising as the sum total of the expenditures for that purpose of the separate companies before the consolidation?—A. That I can not say positively; we do a large amount of advertising, though. We make good stuff and want the people to know it.

Q. Do you think, on the whole, you expend probably as much as was expended before?—A. I suppose we do. Of course, we do a much larger business in proportion than the concerns that we bought out, because we have extended the business to foreign countries and expended a great deal of money in the development of our business abroad.

Q. Has it been the policy of the American Company to push particularly some two or three brands in its advertising?—A. We push all the brands that we think we can make a good market for.

Q. About how many brands of cigarettes do you have?—A. That would be entirely a guess—100, probably.

Q. And can you give an estimate as to the number of brands of plug tobacco that the Continental has?—A. I should think we would have 50 or 75, probably. That is all guess; I could not be positive about that.

Q. Do you know whether, when you have bought up some of these different establishments with their brands, you stop the manufacture of some of their brands?—A. Not if there is demand for them. There are a great many brands, which they put out and we buy up, for which there proves to be no demand. We stand ready to make them if anybody will buy them.

PROPORTION OF THE TOTAL CIGARETTE AND PLUG TOBACCO BUSINESS CONTROLLED.

Q. About what proportion of the entire cigarette business does the American Tobacco Company control?—A. I do not know.

Q. Can you make an estimate?—A. I suppose we make 75 per cent.

Q. And what proportion of the plug tobacco business do you suppose is done by the Continental Company?—A. I should think that they did 50 or 60 per cent, 60 per cent, probably.

PRICES OF CIGARETTES AND PLUG TOBACCO SINCE THE CONSOLIDATION.

Q. How have the prices of your cigarettes varied? Take some 1 or 2 of your leading brands of cigarettes—how have their prices varied during the 10 years since the company has been organized?—A. The prices are about the same as when we bought out the Kinney Company on Sweet Caporal, which is the leading brand, notwithstanding the tax of $1.50 per 1,000 on them.

Q. You have kept the selling price the same?—A. About the same; yes.

DISCRIMINATING PRICES.[1]

Q. Do you ask the same price for the same brand in all sections of the country, with perhaps the difference in freight?—A. Yes.

Q. Your price is uniform?—A. Sometimes a brand gets a little weak in a section, and we may give some special inducements to work it into the market a little stronger, but ordinarily the price is uniform all over the United States, with the exception of plug tobacco in the far West. We charge more because the freight is higher.

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[1] See p. 227.

Q. Of course, I had that in mind. You find it necessary, in order to meet competition in certain localities to cut prices temporarily to push a brand?—A. No; because really each brand stands upon its own bottom. It is not sold as tobacco; it is sold as a brand. The consumer goes into the market and asks for a 10-cent piece of Star. He does not ask for tobacco, and, of course, it is not necessary for us to meet the competition. Some other fellow may go and sell the same class of tobacco for 10 cents a pound less, and the consumer would not be induced to change, because he knows no difference, and he does not care so much about the price. He wants what he has been in the habit of getting.

Q. That is undoubtedly true within certain limits, but is it not possible to compete on prices?—A. It is possible to compete, but then it would not change the result much whether they put the prices up or not. We try to keep the price as uniform as the raw material will permit.

REDUCED PRICES AS A MEANS OF INTRODUCING NEW BRANDS.

Q. The statement has been made at different times that the American Tobacco Company and the other large concerns, in order to introduce brands, cut prices very low, substantially down to the amount of the revenue tax. Have you had experience of that kind?—A. Oh, yes; that is only one method of introducing a brand. Instead of spending so much money on advertising in newspapers and bill posters, a cheap price is made, and the dealers are left to do the advertising and work up the market themselves.

Q. Can you give one or two instances of that kind?—A. Take Battle Ax; we made a low price on that and got it into the market that way; but on some others it would not work.

Q. Take the case of Battle Ax; that is an older brand, is it not?—A. Yes; that we got out and pushed as early as 1895.

Q. About what was the difference between the price you made then and the price you made after it became known?—A. Under the 6-cent tax at one time we got the price as low as 13 cents a pound.

Q. That was while it was made by the American Company, and before the Continental was organized?—A. Yes.

Q. And about where has the price gone to now, since the Continental has been organized?—A. Since the change in the tax we have raised the price, I think, up to 30 cents.

Q. That is a plug tobacco?—A. Yes.

Q. Can you give any similar illustration with reference to cigarettes?—A. In 1883, when Duke, Sons & Co. got into business, we cut the price of cigarettes 3 or 4 months before the change in the tax; we got the market before the change came, and then afterwards we had it on a profitable basis.

Q. Have you any special brands of that kind that you are introducing now?—A. Yes; we are working one in North Carolina.

Q. What?—A. I forget the name of it.

Q. American Beauty?—A. Yes.

Q. Can you state about what you are selling that for?—A. I forget whether it is $1.50 or $1.60.

Q. Per thousand?—A. Yes.

Q. What is the revenue tax?—A. $1.50.

Q. So you are putting that down in order to get it started in that way?—A. Yes.

Q. Do you have any specially strong competitors in that locality?—A. No. We are making a test of it there to see whether a price of 20 cigarettes for 5 cents will bring back the business we have lost since the tax was changed to its present rate. You know the tax was raised from 50 cents to $1.50. Before that we had been selling cigarettes to the dealer so he could resell them to the consumer at 20 for 5 cents. But on account of the increased price necessitated by the new tax, the cigarette business has shrunk nearly two-fifths, I should think. When you can sell 20 for 5 cents, it is stronger.

Q. All over the country?—A. Yes; and since the change in the tax we have put out the 20 for 5 cents, and we want to find out whether the cheap price will bring back the consumer to the 20 for 5 again.

Q. How long is it since you started doing that?—A. I do not know. I think we began sometime after the change in the tax.

Q. (By Mr. Litchman.) Do I understand that the cigarette on which the tax is $1.50 is being sold at $1.50?—A. Yes; we frequently give a brand away in order to get it introduced. It is sometimes cheaper to do that way than it is to spend money to go around and sell them.

Q. (By Mr. PHILLIPS.) Who is your competitor in the cigarette business in North Carolina?—A. I really do not know their names. I do not have much to do with that part of the business.

Q. The tax, you said, is $1.50?—A. Yes.

Q. Have they been sold there in very considerable quantities at 2½ per cent off on the $1.50; that is, 2½ per cent less than the tax?—A. I think there is 2 per cent off allowed for cash, yes.

Q. (By Mr. LITCHMAN.) I understood you to say that your production of cigarettes was 75 per cent of the total production of the country?—A. I made that guess. I do not know whether it is more or less.

Q. And you also testified to the fact that in order to introduce particular brands of cigarettes you sometimes practically give the cigarettes away?—A. We have done that.

Q. What chance do you think an independent operator would have against your corporations if you saw fit to give your cigarettes away to prevent him from getting his brand on the market?—A. We could not; we would have to give away all the cigarettes sold in order to do that. Independent concerns follow that policy. Duke, Sons & Co. did that 20 years ago when we started, and our capital was only $70,000, and we succeeded in getting our cigarettes in the market. Long before the Continental Tobacco Company was ever thought of they did that. That is only one of the methods followed in order to gain the victory. After the goods are put in the store you have to rely on the public as to whether you have made something that the public is satisfied with or not. No matter what the inducements are, the quality must sell them; and there is nobody who can stop an article from selling when there is quality in the goods.

Q. (By Mr. PHILLIPS.) Is it your rule where there is competition in a particular place to sell there at a very small profit, at the same time maintaining your prices in other places?—A. No; we have a different business from many other industrial concerns—sugar or iron, or anything of that kind. Our goods are all sold and demanded by the public from the brand. When the consumer goes into the market or into the cigar store, he does not ask for tobacco; he asks for a piece of Star or a Sweet Caporal cigarette, or Duke's Mixture, or Blackwell's Durham. It is not a matter that is in competition with somebody else. Now, if you are able to make a piece of tobacco that the consumer likes better than he likes ours, why, he will buy it. We take care of the public all right, because they are our customers; every consumer is our customer, and we feel just as much interest in every consumer as we do in the dealer. We are not making any schemes to get the dealer; the consumer is the man we want, and through the consumer we get the retailer and the jobber also. Good quality at a reasonable price is our platform.

TOBACCO TAGS AS AN INDUCEMENT TO TRADE.

Q. (By Mr. FARQUHAR.) Do not some of your companies give premiums in other ways than by means of a reduction in prices; for instance, in the form of tags?—A. We give tags and all the other inducements we can, as well as the best goods we can, in order to get them to use our goods.

Q. Still, there are inducements independent of the first-class goods?—A. Sure.

Q. Do these premiums arise from competition of independent houses or for the purpose of popularizing your brands?—A. I think the Durham Tobacco Company followed that custom. It seemed to be a good way to attract attention, so we extended it.

ADVERSE STATE LEGISLATION AND THE CONSUMPTION OF CIGARETTES.

Q. (By Mr. A. L. HARRIS.) Has adverse state legislation had anything to do with decreasing the number of cigarettes consumed?—A. In some instances it has, but that has not affected the consumption very much. The decrease has been mainly due to the knocking out of the 20 for 5 cents rate. It made cigarettes expensive for the consumers, and they have bought the granulated tobacco we manufacture and made them themselves.

TERMS GIVEN TO DEALERS. [1]

Q. (By Mr. LITCHMAN.) What would that cigarette that you sell for $1.50 retail at?—A. Twenty for 5 cents; that is, $2.50 a thousand.

Q. (By Mr. JENKS.) Where you have other brands of corresponding quality that are fairly well established, and that retail for about the same sum, what is the usual price you get? You are allowing a difference there of $1 for the dealer; about how much is ordinarily left the dealer?—A. I forget what our prices were when we were

[1] See pp. 306, 310-311, 330, 332-338, 340-341.

making cigarettes that retailed 20 for 5 cents. I think they ran all the way from $1.50 or $1.40 up to $1.80 or $1.90, according to the location.

Q. To confine ourselves for a moment to the American Tobacco Company—in selling your cigarettes, do you sell mostly through jobbers, or direct to the trade?—A. Almost exclusively to the jobbers.

Q. What are the general terms of your contract with them as regards prices?—A. Our regular list price less 2 per cent for cash in 10 days.

Q. And do you give special advantages if they handle only your brands?—A. No.

Q. Has that at any time been the policy of the American Tobacco Company?—A. No.

Q. Has the American Tobacco Company had any lawsuits in New Jersey or elsewhere concerning that practice?—A. Yes; the other companies claimed that we were excluding them; but people would not buy their goods because they made a good profit on ours at that time.

Q. And complaints were made that you were giving special discounts in order to secure business?—A. That is their claim. It was not the fact, though.

Q. Do you recall the point of the New Jersey decisions?—A. No; I do not. We won the case. I do not know what the real decision was.[1] I suppose you could get a copy of it.

Q. Did I understand you to say that at the present time in New England you had no contracts of that kind?—A. Yes.

Q. That covers oral contracts as well as written?—A. Yes.

Q. No understanding of that kind at all?—A. No.

Q. Have any of your agents or any officers that you know of offered special terms for using your goods exclusively?—A. No; not with our authority.

Q. Do you think it has been done by any of your agents?—A. I do not think so; no. We state on the bottom of all our price lists and circulars that no agent has any right to change any conditions on our price lists and circulars.

Q. And you have uniformly, in New England, lived up to those conditions printed in your price lists and circulars?—A. So far as I know; yes.

Q. Can you furnish the commission a copy of your price lists and circulars?[2]—A. I suppose that could be done. They are issued every month.

Q. Can you furnish those for the last 2 or 3 months, giving the general terms?—A. I guess so. I have no objections unless some one has who has general charge of it. They are open to the public; they are issued to everybody. There is nothing secret about them.

Q. In what ways are the prices made to the jobbers, by general circular or letter?—A. Price lists are sent to them.

ATTEMPT OF THE CONTINENTAL COMPANY TO INDUCE NEW ENGLAND JOBBERS TO SELL AT A UNIFORM PROFIT OF 2 CENTS PER POUND.

Q. Does this same statement, which you have made with reference to the American Tobacco Company and its methods, apply to the Continental Tobacco Company as well?—A. Well, the Continental Tobacco Company in New England, at the solicitation of the jobbers there, agreed to use their efforts to try and persuade the dealers to sell the goods on a basis of 2 cents a pound. They claimed that they were selling the goods at cost; that they could not agree between themselves, and wanted us to help them. We told them we would, as far as we could, persuade the jobbers to keep a uniform price, but we could not undertake to enforce a uniform price.

Q. So the Continental Company has attempted to aid the jobbers in New England by giving them 2 cents a pound?—A. No; they were to sell at 2 cents a pound above the cost price; I do not know just the terms and details of it, but in a general way if a fellow was cutting prices we would tell him it was to his detriment, and ask him to try and maintain the prices, so as to improve the feeling up there, if possible. The dealers claimed that they were selling the goods at cost and that they could not live and do that.

Q. Have you refused to sell to any jobbers who broke this custom or agreement?—A. I do not know as to that. I do not think we have. In fact, I have not heard of anybody cutting the price.

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[1] NOTE.—"The vice-chancellor held that in refusing to sell to parties who will not agree not to handle the goods of other manufacturers the company is acting within its rights, and that such action does not constitute it a monopoly in violation of the anti-trust law. The court merely announces its decision, no written opinion being filed."—Commercial and Financial Chronicle, v. 66, p. 1138.

[2] Price lists and circulars are on file with the commission.

FOREIGN TRADE OF THE AMERICAN AND CONTINENTAL TOBACCO COMPANIES—ESTABLISHMENTS IN FOREIGN COUNTRIES.

Q. You spoke a moment ago with reference to having pushed your foreign trade. I wish you would go into that in some detail, and tell us in what countries you have pushed the foreign trade, and the methods you have employed?—A. On account of the duty in Australia we had to establish four factories there in the different colonies. Of course we ship all the leaf tobacco there from this country. On account of the duties that were imposed last year in Japan we had to go there to keep from losing our business in that country; in Canada we have factories established. In China we are working our goods into the market.

Q. Do you have any factories in China, or do you ship your goods from the United States?—A. No; we ship our goods from the United States there.

Q. (By Mr. PHILLIPS.) Did you buy a manufacturing establishment in Japan. or build a new one?—A. We consolidated with the ones that were there.

Q. Were they owned by the Japanese?—A. Yes; the same was true in India also.

Q. (By Mr. JENKS.) You spoke of consolidating with a Japanese factory; do you mean that you organized a new company in which you took a controlling interest in the stock, or that you bought the others out?—A. We organized a company, sold our business to that company for one-half of the stock, and the Japanese concern sold theirs for one-half the stock, and then they afterwards sold us 10 per cent of their stock, so we have 60 per cent.

Q. And control?—A. Yes.

Q. Is that a consolidation also?—A. Yes.

Q. In Japan does the Government own any factories?—A. No. They control the leaf. The factory has to buy the leaf through the Government.

Q. Where is that leaf grown?—A. North Carolina.

Q. Is it bought in the North Carolina market by the agents of the Japanese Government and sold to the factory?—A. Yes; and they charge there a hundred or a hundred and fifty per cent duty on the leaf.

Q. You started to speak about India, I think.—A. We are opening our business in India, and in all the European countries except where we are excluded because the business is under government control.

Q. In India are you establishing factories?—A. No.

Q. You are always selling?—A. We are always selling direct from the factories here, unless there is some discriminating duty against us that forces us to manufacture there.

Q. Has this foreign business been built up in the last few years? About when did your business in Japan, for example, and in Australia start on a large scale?—A. Two of the concerns had gotten considerable business in Australia before the formation of the American Tobacco Company.

A. What ones were they?—A. They were the Anson Company, and W. Duke, Sons & Company. Some American cigarettes had been shipped to Japan. It was a very small business, however, until the American Tobacco Company started in to develop it through their efforts. Of course, they introduced the American cigarrette made out of American tobacco. Some of the Japanese companies were manufacturing cigarettes also out of American tobacco, and we have together built up a large business in American tobacco.

Q. (By Mr. PHILLIPS.) Have you built up a business in cigars also or simply in cigarettes?—A. Cigarettes.

Q. You do not manufacture cigars?—A. We have only been interested in the cigar business since the 1st of January.

Q. (By Mr. JENKS.) Do these statements that you have made with reference to the extent of your tobacco business in foreign countries apply also to the Continental Tobacco Company?—A. The Continental does not sell much abroad for the reason that the style of tobacco—the plug—that they manufacture is only used in this country. There is a style of plug that is shipped from this country abroad, but it is mainly for smoking puposes, and we have not so far taken up that branch of the business. It is our purpose to do so, though.

Q. Can you tell us concerning the amount of the exports of the American Tobacco Company?—A. It would be a guess, because I do not keep up with those figures; but I think we export over a billion cigarettes a year; that is, beside those that are made in the factories that we have abroad.

Q. Can you tell about what your output is in those foreign factories?—A. We are making about 8,000,000 a day in Japan, according to the latest reports; in Australia—it would be a guess now, because I have so many of these figures I can not remember—I think it is about 200,000,000 a year in Australia; in Canada, it is somewhere over 100,000,000 a year.

NATURE OF THE AGREEMENTS MADE IN THE PURCHASE OF FACTORIES.

Q. When you buy up other factories and unite them and their business with that of the American Tobacco Company, what conditions do you impose upon those who sell to you with reference to entering the business again?—A. I think we usually buy the brand and the good will. We require the parties to give it to us for 10 or 15 years; I think it has been in some cases as high as 20 years; in some instances we do not care because we do not think it amounts to enough to bother with.

Q. Do you make contracts also with reference to the individual sellers re-entering a similar line of business again?—A. When we buy a man's good will he has to give a term of years really to give us the good will.

Q. You understand by that he himself is not to go into the business again?—A. That is a part of what we buy, of course, his good will.

VARIOUS KINDS OF ASSETS REPRESENTED IN THE CAPITALIZATION.

Q. On this question of good will and the question of capitalization, could you give the Commission any estimate as to the proportion of your capitalization that stands for good will in contradistinction from that that stands for tangible assets?—A. I do not think I could from memory. I think our statement would show that. We publish a yearly statement.[1]

Q. Will you send us the last statement?—A. Yes.

Q. In your annual statement, the one that I happen to have here, the patents, trade-marks, supplies, etc., are put under one head, and real estate, machinery, factories, and the like under a separate one. I was wondering if you could give an estimate as to the value of good will, trade-marks, etc., separate from the other.—A. I think that the American Tobacco Company's statement as made up shows the good will.

Q. So that you keep the good will separate from the other?—A. I think it is that way now.

ATTITUDE OF THE CONTINENTAL AND AMERICAN TOBACCO COMPANIES TOWARD UNION LABOR.

Q. Are the laborers that are employed in your factories organized into unions, ordinarily?—A. I really do not know.

Q. How was it with reference to the company that you yourself were in before the American Tobacco Company was formed, W. Duke & Sons? Did you employ union labor?—A. We never asked a man what his religion or his politics were.

Q. Or whether he belonged to a labor union or not?—A. No.

Q. Do you know with reference to the American Tobacco Company or the Continental Tobacco Company, whether they take any account of the unions or not?—A. They pay no attention to any union, politics, or religion.

Q. Do you deal at times with the leaders of the unions in arranging prices or do you deal invariably with individuals?—A. The scale of prices has been going just the same as it was when we bought out the different concerns. We have not changed the prices except in some instances. I believe there has been some advance in the scale of wages, though I do not know what that is, because I do not have anything to do with it.

Q. (By Mr. PHILLIPS.) Are not most of the laborers who are engaged in the manufacture of tobacco and cigars union people?—A. I think they are, more or less, though I do not know just how it is.

Q. (By Mr. FARQUHAR.) Has either of your companies at any time discriminated against union labor?—A. No.

Q. Have you ever had petitions sent to you by union workers in respect to the organization that you have never given an answer to?—A. I do not know. I know at one time Mr. Gompers came to our office and had a proposition to make about inducing us to have all the laborers join the union. I told him we did not care whether they joined or whether they did not. The people who were working for us and who had been working for our predecessors for 15 or 20 years we were not going to ask to join a church or a union. We did not care what they did. We do not notice any unions or any outside influence. All we want is good service and we pay our employees well for performing it.

Q. Do your foremen or superintendents discourage the joining of unions?—A. I do not think they do.

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[1] See annual report, p. 331.

Q. Are you aware that there is a general opinion abroad that both of your concerns are entirely non-union, and that you are opposed to organized labor?—A. I have not heard anything about that.

Q. Did you ever own a plant or have anything to do with one that employed only organized labor?—A. Yes, and I still maintain it. There is an organization of labor in it.

Q. Have you any objections at all to the organization of laborers?—A. Not in the least degree. We do not propose, however, to have them organize and inaugurate and lay down rules by which we are to govern our factory.

Q. Suppose they simply have rules to run their own affairs.—A. That is all right.

Q. You personally and your stockholders have no objection to organized labor?—A. Not at all. I believe they say they are boycotting us, because we do not have the unions running the factories, or walking delegates coming to our employees to work them or to run them. We do not allow them this privilege any more than we would allow it to a church or to a political organization.

Q. How many people do you employ altogether in the two companies, the American and the Continental?—A. That would really be a guess. I think 15,000 or 20,000 or 30,000, maybe.

Q. Thirty thousand?—A. I suppose it would be somewhere around there. It is all purely a guess. I do not know.

Q. In all other business, as well as in the tobacco business, do you think from your own experience that the cooperation of organized unions is an advantage to any concern like yours, or a disadvantage?—A. I do not really know whether it is an advantage or not. We treat our people well, and we get along well with them. We do not have any trouble with them, and they do not have any with us. We try to give them steady employment and pay them well.

Q. (By Mr. KENNEDY.) You said that you had no objection to the workingmen organizing to manage their own affairs. Do you not consider the question of wages and the number of hours that they shall work their own affairs?—A. Yes; certainly.

Q. Do you not think that the 30,000 men in your employ have as much right to say what the wages and the hours of work shall be in that trade as you have?—A. Why, sure. We do not deny them that right.

Q. You do not deny them that right?—A. No.

Q. Is that not practically all they organize for?—A. I do not know what they organize for. They have not bothered us about organizing. I have not heard anything about it.

Q. Would you consider it running your business, as you speak of, if they organized and wanted to consult with you and confer with you and fix hours or wages?—A. Well, I do not know just how they would do it. If they do as I have heard that they have done, I should not allow it. They want to dictate what we shall do.

Q. Would you be willing to receive their representatives and confer with them as to what the hours should be and the wages?—A. We have always conferred with any employees that came to us about anything. We never have refused to do that. They are all satisfied. If they are not, why I have not heard anything to the contrary.

Q. (By Mr. FARQUHAR.) What seems remarkable to the Commission is this fact, that there is an organization, known as the National Tobacco Workers' Association, whose representatives have been before this Commission and according to whose testimony it appears that in both your concerns they were entirely shut out. That is what led me to ask the question.—A. Now, I will tell you about that. A lot of the independent factories think they can sell their goods on sample, and by putting on the union label they think they will make a market for their goods. The people do not really want to organize. They are getting good wages, and we pay as much if not more than the factories which use the union label. But they are trying to work on the sentiment of the public to sell their goods on the union label. We sell strictly and solely on the quality and price of our goods; and we always do business and our business grows right straight along all the time, because we give better goods and at cheaper prices considering the quality than anybody else gives. That is exactly the line upon which we are relying and doing our business.

LABOR EMPLOYED IN THE TOBACCO BUSINESS—WAGES AT HOME AND ABROAD.

Q. About what are the highest wages you pay by the week?—A. I do not know the scale at all.

Q. What is the proportion of female labor to male labor?—A. I do not know. In some factories there is more than there is in others. In the cigarette factories, for instance, where it is all light, easy work, there are, I suppose, more women than there are men.

Q. Do you employ many youths or children?—A. I do not think we employ a great many. I have not really been through the factories, the one in North Carolina, in years.

Q. (By Mr. Litchman.) Is there any way that you can give to the Commission, when you revise your testimony, a statement of the rate of wages?—A. I think we have already furnished those statements. They were furnished to Colonel Wright of the Department of Labor.

Q. I want to know the wages in this country and then to get some information with relation to the rate of wages in Japan. Can you give any information, or is the information obtainable by you, as to the rate of wages paid in Japan and China and these outside places where you have factories?—A. I suppose we could write to the factories there and find out.

Q. I thought perhaps you would have some information in a general way that would give us the comparison.—A. Well, the wages are very much lower there than they are here.

Q. You can not give that difference, can you?—A. No; I do not know what the difference is.

Q. There is a tariff on the manufactured cigarettes, is there not?—A. Yes.

Q. Do you think the difference in wages in these foreign countries is sufficient to enable you to import cigarettes made there, if it were not for that tariff?—A. Oh, yes. We could ship the tobacco over there, I suppose, manufacture the cigarettes, and ship them back here cheaper than we could make them here if it were not for the tariff.

THE USE OF MACHINERY IN THE MANUFACTURE OF CIGARETTES.

Q. Are the cigarettes mostly made by machines?—A. Yes.

Q. And the same machines are used in foreign countries that we use here?—A. Yes.

Q. Where are those machines made?—A. I think that the first of them were made in this country. Whether they are now making some of them in England or France I do not know.

Q. Are they made under American patents?—A. The patents have now run out.

Q. And you have no machines of recent patents?—A. There may be some, but I do not think we are sending any of those out.

Q. The use of machines, then, is common to anybody that cares to use them?—A. Yes.

EXPORT AND HOME PRICES COMPARED.

Q. (By Mr. Jenks.) How do your export prices in the main compare with your prices in the United States?—A. For the same quality of goods we get more for the export than we do here, considering the tax that there is here.

Q. You have not found it necessary to put the export price considerably lower in order to get into the foreign markets?—A. Oh, we have on a limited number of cigarettes, but they are made cheaply.

Q. In the main your foreign prices run higher than the home prices?—A. No; because they use a larger percentage of our cheap goods abroad than at home.

Q. For the same quality, I mean.—A. Yes.

PRICES OF CIGARETTES AND PLUG TOBACCO SINCE THE ORGANIZATION OF THE AMERICAN TOBACCO COMPANY.

Q. (By Mr. Phillips.) Have you materially advanced the prices of your goods since the American Company was organized?—A. On the other hand, I think they have been very much reduced. Take it in the matter of cigarettes alone, we are now getting at least $1 a thousand less for them, considering the change in the tax, than they were when we bought out the different concerns. Take the plug tobacco, Star tobacco, for instance. Leggett & Myers made it and it went to the consumer at 50 cents a pound under a 6-cent tax; now it is going to the consumer at 50 cents a pound under a 12-cent tax.

Q. But are you not buying it for a less price?—A. Yes; but we are making less profit, the dealer is getting le-s, and the farmer is getting less for his tobacco. The tax could not come off of anyone because the 6 cents is less than we made.

COMPETITION IN THE FOREIGN MARKET.

Q. (By Mr. Jenks.) Where do you find your chief competitors abroad with reference to cigarettes?—A. We find them from England mainly. They buy our tobacco in North Carolina and Virginia, ship it over there, manufacture the cigarettes, and

then compete with us in all the foreign markets. That is true of tobacco as well as of cigarettes. Of course, there is limited trade on tobacco in the other countries as compared with here.

Q. But England is your chief competitor?—A. Yes.

Q. Can you mention one or two of the other more important tobacco manufacturing countries?—A. Well, Japan. There is a large Japanese concern, but they use altogether Japanese tobacco and we really do not consider them competitors. They make cheaper goods than we do. Of course ours, on account of the quality, get the preference from the people who are able to buy them.

Q. Is there any material competition from Egypt or Greece?—A. Yes; but that is a different class of goods. There is a certain trade for the Egyptian cigarettes all over the world, the same as there is for imported Cuban cigars.

Q. So that this trade does not come directly into competition with your product?—A. No.

THE TOBACCO COMBINATION AND THE PRICE OF RAW MATERIALS.

Q. You stated a moment ago in answer to another question that there had been somewhat of a decline in the price of the raw material in the last few years?—A. That is, in certain of the higher grades.

Q. Owing to the fact that you are so large a buyer of the leaf tobacco of different kinds, are you able to get an advantage?—A. I think we are at a disadvantage, because the more we have to buy, the more the fellow who does not have to buy so much can put the price up, because he does not require so much, and he can pick bargains; but we have to take it as we come to it. In this way, I think the independent manufacturers, as they call themselves, really have the advantage over us in buying stock. We have to have a large amount, and the more we have to buy the more we have to pay for it.

RECENT GROWTH OF THE TOBACCO TRADE.

Q. Has there been any very material increase in the output of cigarettes and tobacco in the last 10 or 15 years, or has the extension of your trade into foreign markets materially increased the demand for leaf tobacco in the South?—A. Yes; I think our operations have made a large market for North Carolina and Virginia tobacco. A few years ago the English manufacturers did not do very much in that line, but now there are large manufacturers in England, and they use North Carolina and Virginia tobacco. Of course all this trade which has been built up in Japan, and which amounts to nearly 10,000,000 pounds a year, came from our efforts there.

Q. Has there been any material extension of tobacco growing in this country in the last 10 years?—A. Yes; in eastern North Carolina and South Carolina, and in some parts of Tennessee where previously they did not grow tobacco at all, there are large growers now. I suppose the North Carolina crop has been doubled in 10 years.

Q. You think the increase comes largely from the increased demands for manufactured tobacco?—A. Largely for the manufacture of cigarettes.

CIGARETTES AND THE CIGARETTE BUSINESS.

Q. (By Mr. PHILLIPS.) Is the trade increasing in this country?—A. It has been cut very nearly in half during the last 3 years on account of the increase in the tax from 50 cents to $1.50 a thousand. That did not stop the consumption of cigarettes, because now nearly everybody has a package of paper with his package of tobacco, and he makes them himself. I think the consumption has been increasing.

Q. Do you consider cigarettes more injurious than cigars?—A. Less. It is the purest form in which tobacco is consumed. Purer and better tobacco is used in them.

Q. (By Mr. CLARKE.) What gives the peculiar odor to the cigarette? Is it the tobacco or the paper?—A. Of course both the paper and the tobacco have something to do with it; and besides that, bright tobacco possesses little substance and will not smell like tobacco with more substance.

Q. (By Mr. PHILLIPS.) Is opium used to any extent in the manufacture of cigarettes?—A. Not at all. It is not used in any form in manufactured tobacco, so far as we are concerned.

Q. (By Mr. KENNEDY.) Do you remember the cigarette called the "Admiral," which was on the market 4 or 5 years ago?—A. Yes.

Q. Is that cigarette being manufactured now?—A. I do not think it is, because there is no demand for it.

Q. What company was it that manufactured that cigarette?—A. The National Cigarette and Tobacco Company.

Q. What has become of that company?—A. I think we inherited it when we bought out the Union Tobacco Company.

Q. And you discontinued that cigarette?—A. The public discontinued it.

Q. Was it not a very popular one just before you bought it?—A. No; it was never popular. They put them around and tried to force them on the market, but they would not stick—would not hold the consumer. You can not introduce a brand of tobacco in a few years. It takes a long period of years to establish a brand of tobacco. Even the Continental Tobacco Company, with all the experience they have in the business, would not expect to put a brand in the market and establish a demand for it at once. We lost money for 10 years on Duke's Mixture.

Q. Is there any truth then in the story that this brand had become so popular that it was materially interfering with the business of the American Tobacco Company, and for that reason you bought it out?—A. No; it was dead before we got it, and we got it through the Union Company.

THE EXPORT TRADE IN TOBACCO.

Q. (By Mr. JENKS.) Do you export leaf tobacco at all?—A. We have exported some to the Japanese Government, and we also export to our factories in Australia.

Q. In your export then you confine yourselves to exporting to your own factories?—A. We do not make any effort in that direction.

Q. (By Mr. FARQUHAR.) What effect upon the American price has the purchase of tobacco by foreign governments for their own monopoly?—A. I do not think that what any one government buys has any practical effect, because there is always sufficient competition between individuals and other governments to prevent any government from controlling the price of anything of that kind. The price of tobacco is regulated entirely by supply and demand. The farmers grow a large crop and they get a small price, the same as in the case of cotton; and if there is a short crop, the price goes up, just as the price of cotton does.

Q. Have you much of a field in Great Britain for your product?—A. No; we have lost trade there. We will have to establish factories in England. The duty discriminates against manufactured tobacco. In other words, you can import the leaf there and pay the duty on it and manufacture the cigarettes at a total cost of from 40 to 50 cents less per thousand than the manufactured cigarettes can be exported there from this country. They discriminate against the manufactured article to that extent.

Q. The only means of getting into that market is to establish your own factories there?—A. Yes.

Q. Paying the same duty exactly as the British importers do?—A. Yes.

Q. Are those who have of late years been importing the leaf tobacco into England engaged largely in manufacturing or in the distribution of leaf tobacco?—A. I do not know just how the manufacturers buy their leaf. I know there are some large manufacturers of cigarettes there, and of course they are large dealers and buy and distribute tobacco all over the world. But whether the manufacturers buy from the leaf dealer over there or direct from dealers here, I do not know. I suppose they do it both ways.

ADVANTAGES AND DISADVANTAGES OF PRODUCTION ON A LARGE SCALE.

Q. (By Mr. JENKS.) What would you say are the advantages of a large combination like the American Tobacco Company?—A. I think the main advantage is found in the combination of talent. A man can handle the business in the best way.

Q. Can you mention any others besides that?—A. Of course, they have certain advantages in buying some of their supplies in large quantities, like labels and things of that sort; but in the case of leaf tobacco, licorice, sugar, and things of that kind everybody can buy at the same price. We have an advantage, I think, over the small concern in marketing our goods, because we do not have to keep as many salesmen in proportion to the business we do.

Q. (By Representative GARDNER.) Your theory is that when a given quantity of tobacco or other product is required, competition has the same effect on price, whether there are 5 or 500 buyers for it?—A. Yes; and besides, it is not to the interest of the manufacturer to put the price of tobacco down to a point where the farmer can not make a living and make money. If that is done, the farmer will grow poor tobacco, and we want good tobacco. If there was not a single competitor in the market, we would pay a good price for tobacco. We have no object in beating down the farmer,

because we can get our profit without it, and all we want is a legitimate profit in our business. Whenever we attempt to get more than a legitimate profit we lose.

Q. (By Mr. JENKS.) As to the advantages of combination, I had particularly in mind the savings you can make in the manufacture and sale of the product. You spoke of the greater variety and higher grade of talent you could obtain and of certain advantages in selling; I suppose getting along with fewer traveling men, for example?—A. Yes.

Q. And possibly advertising to better advantage?—A. Yes; and getting the business more concentrated and the product reduced to a fewer number of brands. A great loss to the manufacturer is the attempted introduction of so many new brands. It is of no benefit to the consumer, a disadvantage to the retail dealer, a disadvantage to the jobber and to the manufacturer. There is where the main sacrifice and loss of the manufacturer is—continually getting out new things to try to attract the consumer when the consumer is satisfied with what he has and will not change; spending a lot of money without accomplishing anything, either by way of benefiting themselves or anybody else.

Q. Is it also possible for you to concentrate the manufacture of your goods in a comparatively few establishments?—A. Not to such an extent. The fixed charges on a tobacco factory are not very large. We could not save much by closing some of the factories.

Q. In your judgment, the chief advantage is the greater intelligence and economy in selling?—A. Yes; and in not manufacturing so many brands. If there was no other tobacco manufacturer in the United States, and if the Continental Tobacco Company had an absolute control of the business and should undertake to introduce a new brand of tobacco and get the consumer to change over to it, it would cost millions of dollars, and at the same time would serve neither the interests of the consumer, the company, nor anybody else.

Q. What disadvantages do you think there are in the case of a great organization that you do not find in the case of a smaller independent establishment?—A. I do not really see much difference.

Q. You think you can hire a superintendent of a factory who will give continually the same individual earnest attention to the business as a person would if it were his own independent plant?—A. I do not know but the people connected with both our companies give all the intelligence and attention to the business which they are capable of doing. We have no complaint at all to make of them. We have a good grade of people who take great interest in the business. They are satisfied, and so are we.

EFFECT OF THE INTERNAL REVENUE AND THE TARIFF UPON THE TOBACCO TRADE.

Q. (By Mr. LITCHMAN.) Can you profitably manufacture a cigarette that can be sold at wholesale for $2 per thousand?—A. At the present time, no; with a reduction of the internal-revenue tax, yes.

Q. Your present tax is $1.50 a thousand?—A. Yes.

Q. And under the new revision of the tax it is your opinion that you could manufacture cigarettes at $2 a thousand and make a profit?—A. With a 54-cent tax, yes. We expect to do it at even a less price than $2.

Q. (By Mr. JENKS.) Have you any suggestion to make with reference either to legislation concerning industrial combinations or concerning internal-revenue taxes?—A. No; I do not know that I have. If they would stop changing the law so much, I think everybody would be better off.

Q. (By Mr. LITCHMAN.) You would have no change in the tariff?—A. So far as our business is concerned it would not affect us at all. If you should reduce the tariff, and we could manufacture cheaper somewhere else and send the goods into the United States, we would do it.

Q. Would not that make a difference to the labor you now employ?—A. Very decidedly; I am in favor of high protection for the benefit of the country, but so far as our business is concerned we can take care of ourselves. We would as soon make them in one place as another. We will make them wherever we can make them the cheapest.

Q. You think a reduction of the tariff could be met by the manufacturer, but would prove injurious to the workingmen?—A. Yes; and to the producer of the raw tobacco.

PROPORTION OF THE TOTAL TOBACCO MANUFACTURING BUSINESS CONTROLLED BY THE AMERICAN AND CONTINENTAL TOBACCO COMPANIES.

Q. (By Mr. PHILLIPS.) How much capital do you estimate is engaged in the industry outside of the companies you represent?—A. I have not the least idea.

Q. What proportion of the entire tobacco manufacturing business do you control?—A. I think the Continental controls about 60 per cent of the plug tobacco business.

Q. And how much does the American control of the other?—A. I do not know how it would be in smoking tobacco. I do not think that both of them together would control more than 60 or 70 per cent of the smoking tobacco.

Q. The rest is manufactured by what are called independent companies?—A. Yes.

LOCATION OF FACTORIES.

Q. Where are your chief factories located in the United States?—A. St. Louis, Louisville, Ky., Middletown, O., and Jersey City. The Continental does not own the factory in Jersey City. We own, however, nearly all the stock of the Lorillard Company. The American Tobacco Company has establishments in Durham, N. C.; Richmond, Va.; Baltimore, Md.; Rochester, N. Y.; Chicago, St. Louis, and New York City. That is all I recall at present.

WISCONSIN AND CONNECTICUT TOBACCO.

Q. (By Mr. CLARKE.) Do you purchase most of the tobacco that is grown in Wisconsin?—A. We have only recently commenced buying tobacco in Wisconsin—since we have been in the cheroot business. We have opened leaf houses there, and are going to handle a good deal of that crop.

A. (By Mr. C. J. HARRIS.) Do you use any Connecticut tobacco?—A. Yes. We use it for wrappers, and the American Cigar Company uses it for wrappers and cheroots.

THE AMERICAN CIGAR COMPANY.

Q. (By Mr. CLARKE.) Is the American Cigar Company a new company?—A. Yes.

Q. Is it organized or controlled by either of your companies?—A. The Continental Tobacco Company owns 35 per cent, the American Tobacco Company owns 35 per cent, and the remaining 30 per cent is owned by individuals.

Q. (By Mr. FARQUHAR.) What is the capitalization of the American Cigar Company?—A. $10,000,000.

Q. Into what classes of stock is it divided?—A. Only one stock—general stock.

Q. Are there any bonds provided for?—A. Not yet; no.

Q. (By Mr. CLARKE.) Has the company begun to do business?—A. Yes.

Q. Does it produce nearly all the popular brands of cigars?—A. No; very few of them so far.

Q. Has it produced new brands of its own, or does it manufacture staple goods?—A. We have not commenced making any new brand other than those of the original concerns that we bought out. We will make new brands as soon as we can get the facilities for manufacturing them.

Q. You use both domestic and foreign-grown tobacco?—A. Yes. We use Sumatra wrappers and both Havana and domestic tobaccos.

THE TARIFF ON LEAF TOBACCO AND THE CIGAR BUSINESS.

Q. Do you think you have to pay more for the domestic tobacco on account of the duty upon the foreign leaf?—A. If we had free trade on leaf tobacco, cigars would nearly all be imported.

Q. The Wisconsin growers would hardly be able to produce any tobacco then?—A. No; it would knock them right out. The tobacco would come from Havana for fillers and from Sumatra for wrappers.

THE EXPORT TRADE IN OHIO TOBACCO.

Q. (By Mr. A. L. HARRIS.) Is not a large amount of the Ohio tobacco exported?—A. The poorer grades of the Ohio tobacco are exported—the trashes and commoner grades.

Q. Such as seed leaf, and grades of that kind?—A. What is called the trashes from the crop.

THE CHARGE THAT THE CONTINENTAL TOBACCO COMPANY PREVENTS ITS JOBBERS FROM HANDLING GOODS MANUFACTURED BY INDEPENDENT CONCERNS.[1]

Q. (By Mr. CLARKE.) How do your companies introduce their goods? Do they employ traveling salesmen to any extent?—A. Oh, yes; we keep a large number of salesmen.

Q. Have you issued any general instructions to your salesmen as to what kind of contracts to make with retailers?—A. They do not have anything to do with making contracts with retailers. They act under instructions, and only have to do with the retail business through the jobber. The salesmen do not make any contract with anybody. They can only solicit orders and take them subject to the acceptance of the company, put out advertising matter, and talk up the goods in a general way.

Q. Have either of your companies undertaken to make a market for your goods by contracting with any class of dealers for the exclusion of other goods?—A. No. The jobber can not make a market for us. We have to get down to the consumer. The jobber is only a distributer of the goods upon demand from the retailer, and that demand from the retailer is created by the calls from the consumer. If every jobber in the United States would refuse to handle our goods, and would take up somebody else's goods instead, and push them, that would not make a market for the other fellow's goods. We do not rely on the jobber or the retailer; we rely on the consumer's calling for our goods, and we can only induce him to call for them by giving him something that pleases him better than that offered by anybody else.

Q. Have you ever, by your agents, represented to jobbers or any other class of dealers that they could not have your goods if they handled certain other goods?—A. Well, I do not know what the agents have done, but they have not done anything of that kind with the authority of the company; and I do not believe they have done it, because if the jobber handles the other fellow's goods, that does not make a market for them. They keep them on hand and they put them out to the retailer, and if he can not sell them he sends them back.

Q. How do you account for the claim that certain dealers have represented to independent manufacturers, outside of your companies, that they could not handle their goods, because, if they did, they would be unable to obtain goods of your companies?—A. I suppose that is an easy way of getting out of discussing the proposition of taking goods they do not want.

Q. You are not aware of anything in the conduct of the business by your companies that would justify such a representation as that?—A. No. I think every jobber in New England is handling other goods besides ours. I do not know of a single jobber up there who is not handling everybody's goods for which there is any demand.

Q. (By Mr. JENKS.) I understood you to say that at the present time neither the American Tobacco Company nor the Continental Tobacco Company makes special inducements to those who handle exclusively their brands nor refuses to sell to those who handle other brands. Has that been true throughout the history of the American Tobacco Company, or did you follow that plan earlier?—A. We have not had anybody that handled our goods exclusively unless the demand was exclusively for them. Of course, after the American Tobacco Company was first formed, they had the brands that were in use, and the merchants would not handle brands other than the ones we put out.

Q. Did you at any time after the company was formed put goods into their hands on consignment to certain parties, who agreed not to handle goods of other manufacturers?—A. There was never any agreement to that effect; nothing except at one time they got a larger commission from us if they did handle ours exclusively than if they did not.

Q. You made special inducements to them to handle yours exclusively?—A. Yes.

Q. Did I understand you to say that policy has been abandoned?—A. Yes.

Q. About what time?—A. Four or 5 years ago; I am not sure as to the time.

Q. (By Representative GARDNER.) If you had a contract with a jobber by which he got a larger commission if he handled your goods exclusively, would it not be to his interest, if he found retail dealers whose business he could control, to compel them to handle those goods exclusively, for the reason that if he sold them all their goods he would be making a larger commission?—A. He can not do it. He might as well try to turn the Mississippi up-stream. If the independent concerns would get all the jobbers in the United States to handle their goods exclusively, we could create more over-night. Nobody could stop us from marketing a brand of goods.

Q. Not in a broad, general way; but take a small place—a town of 10,000 inhabitants—suppose some jobber with whom you have business furnishes the retailers in that town with your brand; now, because he handles your goods exclusively you allow him a larger commission, and since he makes more money on your goods it is

[1] See pp. 306, 310–311, 320, 332–338, 340–341.

to his interest to sell them in preference to any other. Now, if he would say to the dealers in that small town, "Unless you handle these goods exclusively, I will not sell to you"—— A. (Interrupting.) They would go to the town across the way and get 10 fellows to sell them cheaper. And this fellow would not rest one night on such a plan as that. He would be forced to give in.

Q. The specific answer is that if that jobber should attempt such a thing those retailers could buy the goods from some other jobber?—A. Yes; plenty of them.

(Testimony closed.)

Exhibit 1.

Annual report of the American Tobacco Company, fiscal year ending December 31, 1900.

Newark, N. J., *March 13, 1901.*

THE TREASURER'S REPORT TO THE STOCKHOLDERS OF THE AMERICAN TOBACCO COMPANY OF NEW JERSEY.

The treasurer respectfully submits a report of the financial condition of your company for the year ending December 31, 1900.

There has been no change in the capital stock during the year, the total amount now outstanding being $54,500,000 common stock and $14,000,000 preferred stock. Of the dividend scrip issued May 1, 1896, $10,000 was redeemed in cash during the year, leaving now outstanding $3,014,490.

The company has sold to American Snuff Company all assets, brands, real estate, and good will pertaining to its snuff business, receiving therefor preferred and common stock in that company amounting to $4,405,300 at par.

Cash to the extent of $2,195,259.80 has been expended by this company during the year in the purchase of stocks of other companies.

This statement does not include the net earnings for 1900 of some of the companies in which it is at present interested, of which earnings this company's share is about $800,000, and which it has been deemed advisable not to declare as dividends, but to let remain for the present as surplus on the books of those companies.

The net earnings of the year, after deducting all charges and expenses for management, etc., are		$6, 303, 498. 02
Deduct:		
Eight per cent dividends on preferred stock for the year 1900	$1, 120, 000. 00	
Six per cent interest on scrip (issue May 1, 1896) for year 1900	180, 834. 20	
		$1, 300, 834. 20
Net, applicable to surplus account		5, 002, 663. 82
Surplus, as per statement December 31, 1899		2, 575, 429, 59
Total		7, 578, 093. 41
Deduct 6 per cent dividend on common stock		3, 270, 000. 00
Surplus, December 31, 1900		4, 308, 093. 41

The balance sheet is herewith submitted.

H. D. Lee, *Treasurer.*

Financial statement, December 31, 1900.

ASSETS.

Real estate, machinery, fixtures, etc	$4, 880, 244. 60	
Leaf tobacco, manufactured stock, operating supplies, etc	9, 887, 722. 95	
Stocks in foreign companies	4, 456, 372. 53	
Stocks in other companies	22, 630, 136. 16	
Cash	1, 292, 440. 80	
Bills and accounts receivable	6, 864, 867. 48	
Patents, trade-marks, good will, etc	29, 921, 468. 55	
Total assets		$79, 933, 253. 07

LIABILITIES.

Capital stock:			
Common		$54,500,000.00	
Preferred		14,000,000.00	
		68,500,000.00	
Scrip issue, May 1, 1896		3,014,490.00	
Provision for regular quarterly dividend on preferred stock, payable February 1, 1901	$280,000.00		
Provision for dividend of 1½ per cent on common stock, payable February 1, 1901	817,500.00		
	1,097,500.00		
Accrued interest on scrip	30,137.70		
Accounts and bills payable	2,895,745.94		
Accrued commissions	14,319.32		
Advertising fund	72,966.70		
		4,110,669.66	
Total liabilities			$75,625,159.66
Surplus			4,308,093.41
As per statement December 31, 1899		$2,575,429.59	
Added in 1900		1,732,663.82	
			4,308,093.41

WASHINGTON, D. C., *May 9, 1901.*

TESTIMONY OF MR. JOHN LANDSTREET,

Vice-President United States Tobacco Company.

The commission being in session, Mr. Phillips presiding, at 3.30 p. m. Mr. John Landstreet was introduced as a witness, and being duly sworn, testified as follows:

PERSONAL STATEMENT OF THE WITNESS.

Q. (By Mr. JENKS.) Please state your name, address, and official position.—A. John Landstreet, Richmond, Va. I am vice-president of the United States Tobacco Company.

Q. How long have you held that position?—A. About a year.

Q. Have you been familiar with the selling of the goods of your company?—A. That is my department principally.

AFFIDAVITS CONCERNING RESTRICTIONS ON THE TOBACCO TRADE BY THE CONTINENTAL TOBACCO COMPANY.[1]

Q. Have you any positive information that you consider trustworthy with reference to discriminations made against your brands in New England?—A. We have.

Q. Can you present any such testimony?—A. I have here an affidavit made by Harry M. Chapman, of New Bedford, Mass.

Q. Who is Mr. Chapman?—A. He is a jobber and dealer in tobacco in Bedford, Mass. I also have an affidavit from Albini Sumner Hovey, of Lynn, Essex County, Mass., and one from Charles H. Tilton, of Boston, Mass.

Q. What is the purport of these affidavits?—A. These men all state, with the exception of Mr. Tilton, that they have been refused the product of the Continental Tobacco Company by reason of the fact that they carried other brands of goods made by independent factories.

Q. (By Mr. LITCHMAN.) Are they in the same terms? Are they alike?—A. They are very similar.

Q. (By Mr. JENKS.) Will you read one of them, and then put the other two in evidence?—A. I will read that of Mr. Chapman, which is as follows (reading):

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[1] See pp. 306, 310–311, 320, 330, 340–341.

AFFIDAVIT OF MR. HARRY M. CHAPMAN, OF NEW BEDFORD, MASS.

I, Harry M. Chapman, of New Bedford, in the county of Bristol and Commonwealth of Massachusetts, being duly sworn, depose and say that I am a member of the firm of E. T. Chapman & Co., said firm doing a business of wholesalers and jobbers in tobacco in New Bedford, and having been engaged in said business during the last 30 years in said New Bedford. That since the formation of the Continental Tobacco Company of New Jersey, and prior to that time, our firm has dealt extensively in the brands of plug tobacco acquired by said corporation and now owned by it. That 90 per cent of our business in plug tobacco during the years 1898, 1899, and 1900 was in the goods owned and controlled by said Continental Tobacco Company. That in April, 1900, Charles Keene, transportation agent of said Continental Tobacco Company, and one Strauss, the regular salesman for said Continental Tobacco Company for this district, called at our place of business and informed us that thereafter there would be a fixed price at which the wholesalers and tobacco jobbers should sell the goods of the Continental Tobacco Company to the retail trade. The jobbers, however, were to be allowed to purchase these goods at 2 cents a pound less than the fixed price. If, however, we agreed to exclude from our stock, and refused to sell or handle any goods made by any manufacturer other than the Continental Tobacco Company, we were to be allowed a discount of 5 per cent. Our firm asked time to consider this proposition. We subsequently learned that the offer made by these agents to us was somewhat different from the offer made to other wholesalers in our district. Our firm, not being an agent in any way of said Continental Tobacco Company, declined to be dictated to as to what goods we should sell. About 3 weeks later Mr. L. D. Mayhew, the New England manager of said Continental Tobacco Company, together with said Strauss, again called at our place of business, and, upon observing that we were continuing to carry in stock goods of other manufacturers, informed us that we were thereupon cut off from any more purchases of the goods of said Continental Tobacco Company. That subsequently to this we sent to said Continental Tobacco Company an order for goods, which order was not filled. That later we sent an order by registered mail, and accompanied the order with a letter requesting the reasons why said Continental Tobacco Company had declined or neglected to fill our orders. In response to this letter we received a letter of the Continental Tobacco Company from their headquarters in New York, signed by W. H. McAllister, secretary, in which they informed us, in reply to our letter to them, that they had concluded that it was not to their interest to maintain business relations with us, and that they had decided to cease such relations. We were informed that we might be supplied with their products by application to jobbers in our section, but upon application to said jobbers, we found that said goods were refused to us.

And your deponent says that from his own knowledge the other jobbers and wholesalers of tobacco in this city, who are now purchasing and having for sale the goods of the Continental Tobacco Company, do not now keep and expose for sale the goods of other new tobacco manufacturers discriminated against by said Continental Tobacco Company, although prior to the inauguration of said policy of said Continental Tobacco Company said wholesalers and jobbers did keep and expose for sale said brands.

And your deponent is informed that said Continental Tobacco Company claims that all jobbers and wholesalers may purchase their products, irrespective of whose goods they handle, at a price 1 cent a pound below the price fixed for the retailers, and your deponent says that such a price is a prohibitive price and does not enable the wholesaler or jobber in tobacco to handle said goods at a profit, but would compel a loss to said wholesaler or jobber.

HARRY M. CHAPMAN.

COMMONWEALTH OF MASSACHUSETTS,
New Bedford, April 16, 1901.

BRISTOL, *ss*:

Then personally appeared the above-named Harry M. Chapman, to me personally known, and subscribed and made oath to the above affidavit.

Before me,

[SEAL.] A. EDWIN CLAKE, *Justice of the Peace.*

AFFIDAVIT OF MR. ALBINI SUMNER HOVEY, OF LYNN, MASS.

I, Albini Sumner Hovey, of Lynn, in the county of Essex and Commonwealth of Massachusetts, being duly sworn, depose and say that I am engaged in the tobacco business in Lynn, and have been for 9 years; that prior to January, 1901, I had been

purchasing of the Continental Tobacco Company certain of its plug tobacco goods; that some time in January, 1901, one Edward M. Langley, the representative and salesman of the Continental Tobacco Company for my city, called upon me at my store and asked me if I was going to fall into line. I replied, "What line?" He said, "The same as the rest of the jobbers and sub-jobbers." I asked him what that was, and he said, "To sell whatever we say." I said, "Who are 'we?'" He replied, "The Continental Tobacco Company." I said, "What do you want me to do?" He said, "Would you throw out Butler's, 'B. and W.,' and 'Sensible' brands of tobacco?" I said, "No, sir; I have too good a sale on them." He called my attention to the fact that "Sensible" tobacco (made by persons other than the Continental Tobacco Company) was displayed on my shelf. I replied that it was my tobacco, which I had paid for; that some people might keep their tobacco under their counters, but I saw no reason why I shouldn't display it. As he went away from the store I said, "Don't do anything to be sorry for;" and he replied that he shouldn't do anything until I heard from him again. Within a few days after that I received a letter from L. D. Mayhew, departmental manager of the Continental Tobacco Company for New England, informing me that I had been cut off as a subjobber by the Continental Tobacco Company. I afterwards called upon Mr. Manning, of the firm of McGreanery Bros. & Manning, the largest distributers of tobacco goods in New England, and of whom I had been purchasing tobacco, and asked him if I had got to pay the advanced price for the Continental Tobacco Company's goods which I purchased of him. He said he was sorry, but he didn't dare to do any different than to charge me that price. This was a price at which I could not sell the goods to retailers at a profit. I had previously been regarded by the Continental Tobacco Company as a jobber, and later as a sub-jobber. The only reason within my knowledge why I was cut off was because I declined to throw out of my stock certain goods of independent manufacturers.

ALBINI S. HOVEY.

COMMONWEALTH OF MASSACHUSETTS,
Boston, April 16, 1901.

SUFFOLK, *ss:*

Then personally appeared the above named Albini Sumner Hovey, to me personally known, and made oath and subscribed to the above affidavit.

Before me,

[SEAL.] PAUL R. BLACKMUR, *Notary Public.*

AFFIDAVIT OF MR. CHARLES H. TILTON, OF BOSTON, MASS.

I, Charles H. Tilton, of Boston, in the county of Suffolk and Commonwealth of Massachusetts, being duly sworn, depose and say that I am a member of the firm of Stephen Tilton & Co., of Boston, established in 1836, which firm is engaged in selling plug tobacco throughout New England to the tobacco jobbers and others, and represents as selling agents 3 independent manufacturers of plug tobacco, viz, the United States Tobacco Company, Butler & Boshér, and W. J. Yarborough, all of Richmond, Va.

And your deponent says that the Continental Tobacco Company, a corporation established under the laws of New Jersey, was formed in December, 1898, having purchased the factories owning and making substantially all the leading brands of plug tobacco sold and used in the market of New England; that said Continental Tobacco Company now supplies to the plug tobacco trade of New England 85 or 90 per cent of all the plug tobacco sold and consumed within said district.

And your deponent says that prior to April, 1900, there was open and free competition in New England in the sale to all jobbers of plug tobacco; that neither said Continental Tobacco Company nor any other manufacturer discriminated against the purchasers or jobbers of tobacco goods who carried or had for sale the goods of other manufacturers, and that said Continental Tobacco Company sold its goods to said jobbers, who paid for the same at substantially the same rates or prices.

And your deponent says that during the month of April, 1900, certain officers of the Continental Tobacco Company, viz, H. D. Kingsbury, treasurer, and C. C. Dula, third vice-president, empowered to act for said corporation in pursuance of an agreement and understanding entered into with one F. C. Bushnell, president, and representing an association of wholesale grocers known as the New England Grocers' Association, visited the tobacco jobbers and wholesale grocers of New England, and notified them that thereafter the jobbers could purchase the goods of the Continental Tobacco Company at a price upon which said tobacco jobbers and wholesale grocers could make 2 cents per pound, but that if said jobbers and grocers would agree to

exclude from their stock, and refuse to handle, all plug tobacco goods of tobacco manufacturers established and beginning business since the formation of said Continental Tobacco Company, and all new brands of any manufacturer, they would give to said tobacco jobbers and wholesale grocers an extra discount of 3 per cent upon all bills of purchases made by said jobbers or grocers of the goods of said Continental Tobacco Company.

And your deponent says that the profit of 2 cents a pound on said tobacco to said tobacco jobbers and wholesale grocers was hardly adequate to enable said trade to do business at a profit.

And your deponent says that said agreement entered into between said Bushnell and said Continental Tobacco Company was an agreement to prevent the introduction of new brands of plug tobacco and to exclude certain old brands, and was in effect an agreement to restrain trade and commerce in said tobacco in the market of New England and designed to create a monopoly in the Continental Tobacco Company of the plug tobacco business in New England.

And your deponent says that said arrangement of prices inaugurated by the Continental Tobacco Company went into effect May 1, 1900; that subsequently said Continental Tobacco Company, through its officers and agents, again visited said tobacco jobbers and wholesale grocers of New England, and changed the price at which the goods of the Continental Tobacco Company could be purchased, so that said jobbers and grocers could get but 1 cent per pound profit instead of 2 cents as heretofore, but to said tobacco jobbers and wholesale grocers who agreed to exclude from their stock all plug tobacco goods of new factories as well as all new brands of old factories, together with all goods of certain designated old-established factories, an extra discount of 5½ per cent would be given; that the 5½ per cent discount was a large and material discount in the handling of said tobacco; that said 1 cent a pound without the discount was a price at which it was impossible for the tobacco jobber or wholesale grocer to do business at a profit in said goods, and was in effect a refusal to sell to the trade or jobbers the goods of said Continental Tobacco Company, or to sell them only at a prohibitive price; that further, in order to close up all the channels of distribution for the goods of all said independent manufacturers, said agents and officers of said Continental Tobacco Company visited the largest retail dealers of tobacco in New England, and notified them that if they would exclude from their stock the goods of all new tobacco concerns, and further refuse to handle any new brands of the old tobacco concerns, said retailers' names would be placed upon a list known as the "Sub-jobbers list," which would entitle said retailers to buy from the jobbers at a less price than their competitors by 2 cents a pound, provided, however, that they complied with the request to exclude the tobacco goods of other designated manufacturers; that said Continental Tobacco Company did not deal or bill any goods directly to said retailers, but notified the jobbers to give to the retailers the discriminating rates on their purchases as aforesaid.

And your deponent says that all these arrangements, agreements, or prices have been put into effect by the agents and officers of said Continental Tobacco Company. And your deponent says that many of his former customers have ceased to purchase the goods of your deponent, and give as a reason that they do not dare to purchase the tobacco goods of your deponent for fear that they will be cut off from the old-established brands and goods controlled by said Continental Tobacco Company, the sale of which goods forms 85 to 90 per cent of their business. And your deponent, from his experience of 32 years in the tobacco business in New England, is of the opinion and believes that this action on the part of the Continental Tobacco Company, if allowed to prevail, will create a monopoly in said Continental Tobacco Company of the plug tobacco business; that the shutting off through all the channels of trade to the consumer of the product of new manufacturers, and also of the new brands of old manufacturers, will bring about that end; that it is essential to the life of every manufacturer of plug tobacco, whether the business is long established or not, to from time to time bring out new brands, and that if they have not that opportunity, the business is certain to die of dry rot; that the action of the Continental Tobacco Company heretofore set forth and complained of has and will greatly damage the business of your deponent.

CHAS. H. TILTON.

COMMONWEALTH OF MASSACHUSETTS,
Boston, April 26, 1901.

SUFFOLK, *ss:*

Then personally appeared Charles H. Tilton, to me personally known, and subscribed and made oath to the above affidavit.

Before me,

[SEAL.] PAUL R. BLACKMUR, *Notary Public.*

CIRCULAR LETTERS ISSUED BY THE CONTINENTAL TOBACCO COMPANY RELATIVE TO ITS TERMS TO JOBBERS.

Q. (By Mr. JENKS.) Have you any direct information regarding any circular letter from the Continental Tobacco Company to the same effect?—A. I have here two circulars.

Q. Was this circular issued by the company, or is this a copy of one so issued?—A. This is a copy of a circular issued by the Continental Tobacco Company.

Q. Have you seen the circular itself?—A. I have seen the original.

Q. And you know this is an exact copy of the original?—A. Yes.

Q. This circular letter was sent to a specific individual or firm?—A. To a dealer in tobacco in Massachusetts. At his request his name is not given. He claimed that he would be cut off from buying their goods if his name were known.

Q. You yourself saw the original on which the name appeared?—A. Yes.

Q. (By Mr. LITCHMAN.) And you know this to be an exact copy of the document he received?—A. I do. (Reading:)

"DEAR SIR: Our offer heretofore made you to pay you 5½ per cent on purchases from us under certain conditions named at the time such offer was made, is hereby withdrawn, and in lieu thereof we make you the following proposition:

"If, during the four months beginning May 1, 1901, and ending August 31, 1901 (unless we sooner withdraw this offer, as stated below), your direct purchases from us for distribution to your regular trade aggregate not less than ———, we will pay you 5½ per cent extra on the entire amount of such purchases.

"If your business during that period does not aggregate as much as the sum stipulated above, or if you combine with any person, firm, or company to make joint purchases, you will not be entitled to this 5½ per cent on any of your purchases during said period.

"We reserve the right to discontinue this plan and withdraw this offer at any time, though if we do withdraw it before the expiration of the period named above, we will pay you 5½ per cent extra on the entire amount of your direct purchases from us for distribution to your regular trade between May 1, 1901, and the date of such withdrawal.

"We will withdraw this offer from any customer in Massachusetts who sells or offers to sell our goods, directly or indirectly, in the states of Maine, New Hampshire, Vermont, Rhode Island, and Connecticut at less than jobbers' selling price list, effective in those States.

"No employee of this company has any authority whatever to change or modify, in any respect, or to any extent, this letter, or any other letter, circular, price list, or offer of this company.

"Yours, very truly,

"CONTINENTAL TOBACCO CO.,
'(Signed) C. C. DULA,
"*Third Vice-President.*"

Q. (By Mr. JENKS.) This circular letter does not put in that other condition with reference to selling exclusively the goods of the Continental Tobacco Company?—A. I do not think you will find that in print.

Q. I was going to ask you whether the person from whom you received this letter said that the conditions referred to in it were those conditions? In this circular it says this: "Our offer heretofore made you to pay you 5½ per cent on purchases from us under certain conditions named at the time such offer was made * * *." Did the person to whom this letter was written state that the conditions referred to here were to the effect that they should deal exclusively in the goods of the Continental Tobacco Company?—A. That was his statement, and not only his statement, but the universal statement of all dealers.

Q. (By Mr. LITCHMAN.) Do I understand this circular letter was sent out, and that aside from this there was an oral agreement with the dealers?—A. Yes.

Q. And you find that so far as your investigation goes in every case where you have learned of these instances?—A. In every case. This circular accompanied the other one. (Reading:)

"*To our customers in Massachusetts:*

"Referring to our circular, under date of August 6, 1900, addressed to our customers in Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut, we quote from said circular as follows:

" 'We shall decline to fill orders from any customer in the above-named states who sells, or offers to sell, either directly or indirectly, any of the listed brands of tobacco manufactured by this company at less than the prices appearing in the jobber's selling price list; this price list applies to sales made by you either to jobbers or retailers.'

"We now wish to advise that this circular is hereby abrogated so far as it applies to sales made by our customers to merchants located in the state of Massachusetts, but it will remain effective and continue to apply on sales made by our customers to merchants located in the States of Maine, New Hampshire, Vermont, Rhode Island, and Connecticut.

"No employee of this company has any authority whatever to change or modify in any respect, or to any extent, this circular, or any circular, letter, price list, or offer of this company.

"Very truly yours,

"CONTINENTAL TOBACCO CO."

CONDITION OF THE TOBACCO TRADE IN MASSACHUSETTS.

Q. (By Mr. PHILLIPS.) What was their reason for excepting Massachusetts?—A. We can only surmise. A few days previous a bill had passed the Massachusetts house of representatives which those interested in it thought would prevent the Continental Company in the future from making this deal prohibiting the sale of independent goods as a condition to the sale of their own.

Q. A copy of that bill was read to-day by another witness?—A. Yes.

Q. (By Mr. CLARKE.) Do a good many of the jobbers in Massachusetts sell to dealers in the other New England states?—A. Of course; I have no way of telling to what extent, but it is very largely done.

Q. Boston being the central market for the New England states, gets a good deal of that trade?—A. The largest tobacco dealers in New England are located in the city of Boston.

Q. Then these jobbers have to sell to the dealers in the New England states outside of Massachusetts at a different price from that at which they sell those in Massachusetts?—A. Yes.

Q. (By Mr. JENKS.) Have you any further evidence along the same line to present?—A. I have some other affidavits along the same line, if you care for them.

Q. These three will probably be sufficient.

THE CUT RATES ON CIGARETTES GIVEN BY THE AMERICAN TOBACCO COMPANY IN VIRGINIA AND NORTH CAROLINA.[1]

Q. (By Mr. PHILLIPS.) Do you know of any cut being made in the price of cigarettes in North Carolina or Virginia, where there are competing companies; and if so, how extensive?—A. I only know from information that the price of one brand made by the American Tobacco Company has been reduced to $1.50 per thousand, and that that same brand of cigarettes is sold in the state of New York at a very much higher price. I have seen bills for them purchased at that price in the state of Virginia; and I know that some of the dealers in New York have bought them in Virginia, shipped them to New York, and there undersold the price made by those who manufactured them.

Q. How much more or less is that than the Government tax?—A. With the 2 per cent discount off, it is 3 cents less than the Government tax.

Q. Was there competition there? Were other independent companies selling cigarettes at those points?—A. There is an independent cigarette company located at Wilson, N. C., that claims to be doing a very large cigarette business in North Carolina and Virginia.

Q. (By Mr. JENKS.) What company is this?—A. The Wells-Whitehead Company, manufacturers of the Carolina Bright Cigarette.

Q. (By Mr. PHILLIPS.) Is it believed that this cut in the price below cost is made because of the competition of this company to which you have referred?—A. The manufacturers of this brand of cigarettes think that is the cause.

Q. (By Mr. JENKS.) You have said that this same brand is sold for a considerably higher price in New York?—A. Yes.

Q. What is the price in New York?—A. From $1.65 to $2.50.

Q. These various prices are made by the American Tobacco Company?—A. No. They are made by the tobacco dealers in New York, who have heard of the price South, and sent there and purchased those cigarettes, taken them to New York and sold them to the retailers.

Q. Do you know the price made by the American Tobacco Company in New York?—A. I do not.

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[1] See pp. 318, 319.

DEALERS WHO HAVE BEEN REFUSED GOODS BY THE AMERICAN AND CONTINENTAL TOBACCO COMPANIES.

Q. (By Representative GARDNER.) Do you know of any case where the retail dealer has lost the goods of the American or the Continental Tobacco Company?—A. A number of them.

Q. (By Mr. PHILLIPS.) Could you name them?—A. This is a list of those who have been cut off for selling independent tobaccos (reading): E. T. Chapman, New Bedford, Mass.; Marlboro Cigar and Tobacco Company, Marlboro, Mass.; S. Wardner, Concord, N. H.; Berry, Hall & Co., Burlington, Vt.; C. O. Amazeen & Co., Ipswich, Mass.; N. G. Gurnsey & Co., Keane, N. H.; J. B. Edson, Brockton, Mass.; W. E. Sanborn, Holyoke, Mass.

Q. (By Mr. JENKS.) These men themselves state that the reason why they could no longer get the goods of the Continental Tobacco Company was because they had dealt in independent goods?—A. Yes.

EFFECT UPON THE RETAILER'S BUSINESS OF BEING CUT OFF FROM DEALING WITH THE AMERICAN AND CONTINENTAL TOBACCO COMPANIES.

Q. (By Representative GARDNER.) As a practical matter—not a legal one—do you know what effect such cutting off has had on the business of those firms?—A. I think all the firms that have been cut off continue to deal in the goods of the Continental Tobacco Company, for the reason that they own a large number of brands, which makes it impossible for a man to do a successful tobacco business without keeping some of their brands.

Q. Where do they get that tobacco?—A. Anywhere they can. Some go to other states and buy it on the quiet, just as a number of dealers in New England do with our goods. We have to ship them in a plain case without any marks or brands, and they hide them under the counter, and if a man comes in and asks for a piece of the tobacco, they look to see if he is in the secret before handing it to him.

Q. (By Mr. JENKS.) Some customers request that you send them your goods in plain cases without any marks on the outside?—A. A number of them.

Q. (By Representative GARDNER.) I asked Mr. Duke if a firm or jobber should sell or refuse to sell their goods, what would be the effect. He said, they would go to another jobber and get them. What do you know about that?—A. Well, there is in most localities some one man who, for some reason, is determined to handle independent goods or such goods as he pleases to handle. These men in a large number of localities are the only distributers of anything except the Continental and the American companies' goods. Mention has been made of one locality where every jobber in the town one morning said: "We will have to throw out your goods." It would be impossible for any man in that town to buy them of the jobber at any price. There are other similar instances. Understand, they sell probably 80 per cent of the goods that are sold in such territory; and when they go to a dealer and say to him: "We will destroy the profit on 80 per cent of your business;" it takes a man with a great deal of nerve to say he will continue to run his own business.

REASON FOR NOT CONSULTING THE UNITED STATES DISTRICT ATTORNEY.

Q. (By Mr. A. L. HARRIS.) Have you ever consulted the United States district attorney in regard to your case?—A. No; we never have, for the reason that we consulted an attorney sometime ago, and he informed us that it would be necessary, before we could do anything, to have affidavits establishing a case; and, of course, that being true, we could not make a case, for we believe that the moment those jobbers capable of furnishing such affidavits testified they would lose the profit on 80 per cent of their business.

Q. (By Mr. CLARKE.) You have given a list, respectable in length, of a number of men who have the nerve to run their own business. Have you given that list to the United States district attorney?—A. No.

Q. Or have you informed anyone that you have such a list?—A. Not that I am aware of.

Q. Don't you think all those men would be good witnesses against these unlawful methods, as you allege them to be?—A. Yes; and I think others could be had who would probably be better witnesses, if the United States district attorney were disposed to take the matter up.

Q. Well, you do not know but that the United States district attorney would be so disposed?—A. I do not.

PERCENTAGE OF TOTAL OUTPUT CONTROLLED BY THE AMERICAN AND CONTINENTAL TOBACCO COMPANIES.

Q. (By Mr. PHILLIPS.) Will you state about what per cent of tobacco is handled by the American and what per cent by the Continental company?—A. You mean the output of the two companies?

Q. The per cent of the whole goods in the United States compared with the independents?—A. I think that the claim is made that their output in the United States amounts to between 75 and 90 per cent. I do not believe they make that much; I do not think, personally, that they manufacture 75 per cent of the goods of the United States.

Q. But enough to give them in certain localities a practical monopoly of the business?—A. Yes; especially is that true by reason of the fact that they had almost a monopoly of the brands used in certain territory, and that territory uses a kind of tobacco that is not generally sold over the United States.

Q. So they have had a practical monopoly of the trade in those states?—A. Yes.

EFFECT OF THE TOBACCO COMBINATION UPON COMPETITION.

Q. (By Representative GARDNER.) If they are the owners of brands representing 80 per cent of the tobacco used in New England, and these brands were in existence and in the market before either the American or the Continental Tobacco Company was formed, would not the same thing be true if those companies had never had come into existence; would not 80 per cent of the tobacco used in New England be in those brands, and in the hands of the people who are now in competition with the present owners of those brands?—A. That 80 per cent was made by four or five different factories controlling about 20 brands. No one of these factories could say: "If you do not handle our brands to the exclusion of all other brands in competition, you shall not have our brands at a price that you can make a profit on." But now one company owning the 20 brands, all popular and well established, have that power.

Q. But in so far as the manufacturer of any other brands is concerned, he would have those same brands to compete with?—A. Yes.

Q. Precisely as he has now?—A. Yes. We have no complaint with competition at all when opportunities are merely equal. All we ask is an opportunity to do business; that all channels shall not be closed.

Q. The effect of the combination, then, is to prevent you and other people from introducing new brands?—A. New or old brands, or any brand. The fact is they sell the same grade of goods at higher prices than we do.

SUGGESTION AS REGARDS LEGISLATION CONCERNING BUSINESS CORPORATIONS.

Q. (By Mr. LITCHMAN.) Have you any suggestion as to legislation in connection with this matter?—A. I would hardly presume to suggest anything; but my associates and myself have talked over a proposition, according to which a distinction might be made between corporations whose stocks were listed and sold on the public market, and those whose stocks were not.

Q. All these corporations, however, are formed under the same laws?—A. Yes.

Q. And the fact that 4 or 5 men may own the entire stock of a corporation does not, in the eyes of the law, make that corporation any different from one whose stock is owned by a larger number of men?—A. There is this difference, however, that in the case of a small corporation owned by a few men who do not put their stock upon the market, the stock is not for sale, and is not purchased and handled by parties who have no way of knowing anything about the management and control of the business; whereas a large corporation places its stock upon the market, and if you injure that corporation by laws or otherwise, you injure innocent holders.

(Testimony closed.)

WASHINGTON, D. C., *May 9, 1901.*

TESTIMONY OF MR. H. D. LEE,

Treasurer American Tobacco Company, New York City.

The commission met at 10.45 a. m., Vice-Chairman Phillips presiding. At 4.02 p. m., Mr. H. D. Lee, treasurer of the American Tobacco Company, of New York City, appeared as a witness, and, being duly sworn, testified as follows:

PERSONAL STATEMENT OF THE WITNESS.

Q. (By Mr. JENKS.) Will you give your position in the American Tobacco Company?—A. I am treasurer of the American Tobacco Company.

Q. Do you hold any official position in the Continental Tobacco Company?—A. No; I am treasurer and director in the American.

Q. Before you became connected with the American Tobacco Company what business were you in?—A. I am still in the wholesale grocery business, banking business, and mill business.

Q. Were you at some time connected with the National Wholesale Grocers' Association?—[No audible response by the witness.]

Q. Where does that association do business, throughout the whole country?—A. Yes. There were, I think, 12 States in the South that were not in our organization.

Q. While you were in that position were you enabled to know the general methods of selling goods employed by the tobacco companies as well as by the grocers?—A. Well, I was somewhat familiar with that, of course.

THE ALLEGED DISCRIMINATIONS OF THE CONTINENTAL TOBACCO COMPANY IN FAVOR OF DEALERS HANDLING THEIR GOODS EXCLUSIVELY.[1]

Q. Have you any information as regards any discriminations that have been made in favor of those who handle the goods of the Continental Company exclusively?—A. No.

Q. Are you in a position to either affirm or contradict these statements that have just been made regarding the terms of sale?—A. As far as my information goes it would be contradictory to those statements.

Q. Do you know whether the Continental Tobacco Company has issued a circular letter of the general nature of this copy which was presented here a few moments ago?—A. My impression is they issued a circular about that date. Whether that is a true copy or not, I do not know.

Q. The business of the American Tobacco Company and the Continental Tobacco Company are carried on in the same building?—A. Yes.

Q. And the relations of the officials of the two companies are close?—A. Well, reasonably so; neighborly, at least.

Q. Are you in such a position that you would be likely to know with reference to a general circular letter issued by the Continental Company?—A. No; I do not know that I would. My business, of course, is in the financial department, and these other circulars are formulated in the sales department, and there are times that I don't see the general salesman in months, perhaps.

Q. Who is the general sales agent of the Continental Tobacco Company?—A. My impression is that Mr. C. C. Dula is chairman of the committee.

Q. And of the American Tobacco Company?—A. I think Mr. Hutchins is head of the sales department.

THE AMERICAN TOBACCO COMPANY AND PREFERENTIAL TERMS TO DEALERS.

Q. Has the American Tobacco Company issued any general circular letter of this kind, giving preferential terms?—A. Not to my knowledge. I will say, however, on the start, that I have only been with the American Tobacco Company a year. The first 3 months after my election as director and treasurer of the American Tobacco Company I went to Europe on account of ill health; the last 4 months I have been in the hospital, so I am not as familiar with the detail workings of the company as you might imagine I would be. They have come largely under the supervision of my assistant and the assistant treasurer. While I have a general knowledge of the financial part of it, I have not made myself familiar with the general workings of the company as I otherwise would.

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[1] See pp. 306, 310–311, 320, 330, 332–338.

THE ALLEGED FACTORS' AGREEMENTS BETWEEN THE AMERICAN TOBACCO COMPANY AND ITS JOBBERS.

Q. Do you know whether it had been customary at any time for the American Tobacco Company to have what are called factors' agreements by which the attempt was made to maintain prices and pay the jobbers by special discounts?—A. No; not exactly in that way.

Q. Will you explain the method that was followed?—A. They at times attempted to aid the jobbers in securing profit in different states. I think they gave a rebate after a certain period of prices maintained, but after these anti-trust laws were established those methods were abandoned.

Q. Before that time they had been in the habit of getting their information as to whether prices had been maintained by means of affidavits on the part of the salesmen?—A. Well, if that were true, it was before my connection with them. I think that was perhaps the method during the period before the trust, as it is called, was formed; I think Leggett & Meyers and Drummond, and those people had adopted that method; I think I remember as a jobber of making several affidavits for Leggett & Meyers as to whether we had maintained the prices or not.

Q. Were you in any of those cases asked to sell only certain brands or to exclude certain brands?—A. No; I think the jobbing house of which I am president now has perhaps as many independent goods in it as it has goods of the other people; we have never been asked to do that.

SIMILAR FACTORS' AGREEMENTS IN OTHER LINES OF BUSINESS—ATTITUDE OF JOBBERS TOWARD SUCH AGREEMENTS.

Q. In what other lines of goods besides tobacco have similar agreements been made in order to secure a jobber's profit?—A. Well, I think the American Sugar Refining Company perhaps markets its goods under the factor plan.

Q. Do you recall any other lines of goods besides sugar?—A. I think perhaps Proctor & Gamble Soap Company have some sort of an arrangement; I am not just familiar with the details of it; my impression is that they protect the jobber in a profit.

Q. Do you know what the attitude of jobbers and of dealers in general is with reference to a plan of that kind?—A. They are very favorable to it. I perhaps am more familiar with that feature of it than any other part of it, being a jobber myself. I talk with a great many jobbers and they seem to be very anxious to have a plan of that kind; it seems to be the only way that a profit can be maintained on staple goods such as sugar, tobacco, coffee, and soap. On staple articles competition is strong, and there is a universal demand from the jobbers for the large manufacturers to protect them in a reasonable profit, and, as I said before, I think that the manufacturers tried to respond to that demand before these laws interfering with that method were passed in the different states. Since that time, I think most of the manufacturers have rather abandoned it.

EFFECT OF FACTORS' AGREEMENTS UPON THE PROFITS OF THE MANUFACTURERS.

Q. How does it affect the manufacturers' business? Suppose the thing that they complain of was not considered illegal, and the American Tobacco Company were asked to take up such a plan to protect the jobbers, would it be likely to affect their profits favorably or unfavorably?—A. It would affect them very favorably if the plan was done away with entirely. Whenever the manufacturer of a staple product is allowed to lose sight of the jobbers', or of his agent's profit, or of a fair compensation for marketing his goods, he has no trouble in distributing his goods. If a man wants a carload of sugar, he is going to get it; if he wants a carload of Duke's Mixture, he is going to have it. It does not make any difference whether one jobber is willing to do it or not, some other fellow is willing to do it, and is willing to do it for nothing. The large manufacturer probably gains when he protects the jobber, and yet the brands that are owned and controlled by these two companies are well known to have taken years of time and hundreds of thousands of dollars to establish, and if they could go to the consumer without considering the profit of the jobber there would be no trouble at all about that on the part of the manufacturer.

THE PROTECTION OF THE JOBBER BY THE MANUFACTURER.

Q. Why don't they go directly to the dealer?—A. Well, the jobber, in a measure, has helped to build up that trade, helped to establish those brands, and I think the manufacturers, as a rule, try to work in harmony with the jobber, try to maintain a

profit, and that has been done largely—done under the administration of independent companies. I am certain that the Continental and American companies have both tried to formulate plans by which a fair compensation could be given to the jobber, but whenever there have been drastic laws prohibiting that they simply have had to let the jobber take care of himself.

Q. At the present time are they attempting to protect him in any of the states?—A. Well, I am not posted as to any really definite plan. As I said before, I have been in the hospital, and I am not familiar with any plan being pursued by either of the companies just now.

Q. You may perhaps express an opinion. Is it your belief that they have no such plan that they are attempting to put into effect?—A. Well, my understanding is that in some states the jobbers are maintaining a very good organization of their own, and in some of those states are maintaining a profit on sugar, coffee, and tobacco, independent of any action upon the part of the manufacturers. The manufacturers possibly are lending what aid they can to that end.

Q. Does that apply to the tobacco business also?—A. I think so.

Q. What states are those?—A. Well, I do not know that I could give you those states. I think perhaps the New England states, New York state, I presume, and I think Kentucky. My impression is that Iowa, Nebraska, and possibly Minnesota also should be included.

(Testimony closed.)

THE THREAD COMBINATIONS.

WASHINGTON, D. C., *April 9, 1901.*

TESTIMONY OF MR. LYMAN R. HOPKINS,

President American Thread Company, New York.

The commission met at 10.48 a. m., Mr. Phillips in the chair. At that time Mr. Lyman R. Hopkins, president of the American Thread Company, New York, appeared as a witness, and, being duly sworn, testified as follows:

Q. (By Mr. JENKS.) Will you give us your address, Mr. Hopkins?—A. My address is Lakeview, Me.

Q. Your position in the American Thread Company is that of president?—A. Yes.

Q. You have sent in a written statement in reference to the business of your company?—A. Yes.

Q. Would you be willing to have that read first?—A. Yes.

(Secretary Durand read the statement prepared by Mr. Hopkins, which is as follows:)

COMPANIES WHICH WERE UNITED TO FORM THE AMERICAN THREAD COMPANY.

I am the president of the American Thread Company. In response to the request and invitation of the Industrial Commission I submit the following statement:

The company was organized under the laws of the state of New Jersey on March 10, 1898, to unite the businesses of the following manufacturers of spool, crochet, knitting, mending, and other cottons, including in some cases the allied businesses of cotton spinning, doubling, twisting, dyeing, bleaching, polishing, spool making, etc.

	Established.	Incorporated.
Barstow Thread Co., Providence, R. I., including good will and trade-marks of Alexander King & Co., in cotton-thread business.	1866	Rhode Island.
The Glasco Yarn Mills Co., Glasco, near Norwich, Conn	1881	Connecticut.
The Glasco Thread Co., Worcester, Mass	1883	Massachusetts.
Hadley Co., Holyoke, Mass	1863	Do.
The Kerr Thread Co., Fall River, Mass	1881	New Jersey.
J. O. King & Co., New York City	1866	Private firm.
Merrick Thread Co., Holyoke, Mass	1865	Massachusetts.
The National Thread Co., Mansfield, Conn	1873	Connecticut.
Morse & Kaley Manufacturing Co., Milford, N. H	1882	New Hampshire.
E. J. W. Morse Co., Boston, Mass., including the patent rights, machinery, and good will of the Morse machine.	1834	Maine.
The Ruddy Thread Co., Worcester, Mass	1891	Massachusetts.
The Warren Thread Co., Ashland, Mass	1865	Do.
The William Clark Co., Westerly, R. I	1891	New Jersey.
Willimantic Linen Co., Willimantic, Conn	1854	Connecticut.

THE COMPANY'S CAPITALIZATION—PREFERRED AND COMMON STOCK AND BONDS.

The operations of the company began on April 1, 1899. At the present time there are outstanding of common stock, $4,200,000; of preferred stock, $4,890,475; total, $9,090,475; and of bonds, $5,798,000.

The preferred stock is 5 per cent cumulative. The stock authorized is $6,000,000 preferred and $6,000,000 common.

ASSETS AND LIABILITIES OF THE AMERICAN THREAD COMPANY ON SEPTEMBER 30, 1899.

The company's balance sheet of September 30, 1899, showed the following:

ASSETS.

Investments acquiring the capital stock of various manufacturing companies at cost	$11,079,549.93
Sundry advances to subsidiary companies	1,856,515.34
Sundry debtors	737,351.08
Furniture	13,262.04
Cash in hand and at bank	381,087.71
Total	14,067,766.10

LIABILITIES.

Capital stock issued:		
Pref. 5 p. c. cum., 978,095 shares, par $5	$4,890,475	
Com., par $5, $2 called on each share, 1,200,000 shares	2,400,000	
		$7,290,475.00
Bonds issued	5,797,850	5,797,850.00
Unissued	202,150	
	6,000,000	
Sundry creditors		491,658.84
Interest on bonds accrued to date		57,978.50
Depreciation fund		225,000.00
Balance		204,803.76
Total		14,067,766.10

PERSONAL STATEMENT OF THE WITNESS—ADVANTAGES OF COMBINATION.

I do not think that in answer to the inquiries of the commission I can add anything of value to the mass of material which has already been gotten together.

I myself am what is called a self-made man. I have risen from the ranks. I have had the opportunity to observe the manufacture of thread, etc., as carried on in the United States from the standpoint both of employer and employee. I am a thorough believer in the advantage to all concerned of combination on a conservative and suitable basis. It admits of economies which are in the general interest. So as not to invite competition it is necessary that the price of the manufactured article shall be kept at a minimum.

There is an immense amount of capital in the United States awaiting investment in any profitable enterprise. Any attempt at an inordinate profit in the carrying on of any considerable business is a sure invitation to rivalries and competition. The only protection is that the price shall be kept low, and that the manufacturer shall rely for his returns upon the magnitude of his transactions, and not upon an extravagant rate of profit. Low prices mean enlarged output. Low prices are of course in the interest of the consumer. Prices are kept down by the necessity of the situation for the manufacturer. Combination makes this possible. Business must be done upon a paying basis or it will not be done at all. The community can afford to pay a fair price for a good article.

I believe that it is to the interest of the manufacturer to unite capital, talent, and effort, but to give success to such a union it is essential that the character of the product shall be kept up to the highest possible standard, and shall be furnished at the lowest possible price.

THE RELATION OF CAPITAL TO LABOR.

I do not believe there is any necessary antagonism between capital and labor. It is my judgment, and the result of my observation and experience, that both capital and labor should be hampered as little as possible with restrictions, and that each should largely be left to take care of itself, and each to see to it that, so far as either is concerned, business shall be conducted upon fair business principles.

Whatever may be the course elsewhere, it is impossible in this country for capital to tyrannize over labor. The laboring classes are too intelligent; they are too sensible; they are too conscious of their own power. They understand too well the power of labor combinations, the force of public opinion, and the possibility of resorting to legislation if that should be found to be necessary.

I know very little about combinations of labor additional to that which is generally understood by the community. If anyone suffers from such combinations, it seems to me that it is the class of skilled, capable, and industrious employees, who, by such unions and organizations, are reduced to a lower standard of work, capacity, and intelligence, and are thus deprived of what is honestly their due. Perhaps I have no right to express an opinion upon the subject. I certainly have no wish to volunteer one. It is my experience that the better men suffer from such organizations. I do not mean that there are not some purposes for which labor should combine. In numbers there is strength.

Neither in the American Thread Company, nor, so far as I recall, in the case of the predecessor companies, has there been trouble from strikes. The effort at all times has been to keep harmonious relations with employees, to pay them a fair price, and to see to it that it is to their interest to serve faithfully.

The work is skilled work. It is paid for both by the piece and by time. The rates which labor receives constitute a fair remuneration, and should provide satisfactorily for the prudent and economical bringing up of a family.

THE RIGHT TO STRIKE EXISTS, BUT STRIKES GENERALLY ARE NOT BENEFICIAL TO LABOR.

I am not opposed to strikes unattended by violence. I think that labor should have the same right to protect itself in any lawful way that belongs to capital. But I doubt very much whether actual resort to a strike results beneficially to labor. Employers will not permit their workmen to go to such an extreme if by agreement, or in some cases by arbitration, labor is willing to make a reasonable arrangement. I doubt whether there would ordinarily be difficulty if the question were between the particular manufacturer and his particular employees. The chances are many to one that they would come to a satisfactory arrangement if there were no outside interference.

A prolonged strike in my judgment is almost always to the disadvantage of labor. Capital may suffer. The probability is that labor will suffer more. A strike means a direct, actual, practical loss to labor, and while in the end it may force an increase ot wages, it is little likely that the increase will make good the actual loss duing the suspension of work.

I am not in favor of compulsory arbitration, nor am I in favor of the right to appeal by injunction to the courts, except when it is the only remedy to prevent violence. I think that the law should be enforced. I think that property should be protected. I think that persons who are willing to work should be able to rely upon the law to see that the opportunity is afforded them. If an attempt to coerce is made, and it can be prevented by injunction, I can see no reason against such relief, provided other remedies prove to be inefficacious.

AMERICAN THREAD COMPANY'S RELATIONS TO EMPLOYEES—WAGES AND TENEMENTS.

We pay our labor weekly. We pay in cash. We do not adopt a sliding wage scale, nor make the payment of labor dependent upon business success. We do not impose fines or penalties. As long as a workman is willing to serve, and to do his work properly, he is sure of his position and of his pay.

At Holyoke, Mass., we have factory tenements sufficient to accommodate about one-eighth of the persons employed there, and at Willimantic, Conn., we have tenements sufficient for about one-half the labor employed there.

The relative rate of wages has considerably advanced during the past 50 years. Employment has also become more regular. This is particularly so since the organization of the American Thread Company. The increase has been gradual, but continuous.

In a way the social condition of our labor has improved during the past 50 years. By this I mean that the general situation of employees with reference to the amount that they can earn, the conveniences which are in their reach, the necessaries which they can provide, and the comforts and luxuries which are possible, has improved.

There is a sense in which the social conditions of labor in our line, in the past 50 years, has not improved. Fifty years ago a large proportion of employees were native born. A large proportion came from native families of farmers and persons of more or less independence of position and means. That class of employees has considerably diminished.

NUMBER OF EMPLOYEES—HOURS OF LABOR—LIMITATION OF THE LABOR DAY.

The number employed in our industry has very largely increased. This is so notwithstanding the fact that improvements are continually being made in machinery, and that the work is largely done by machinery. All such improvements lower price, consequently increase output, and so create an enlarged necessity for labor.

Our employees on an average work for nearly 300 days in the course of a year.

In Massachusetts they work 58 hours a week; elsewhere 60 hours a week. We do not employ Sunday labor.

With reference to the workday movement, it is my opinion that if a man wishes to work he should be permitted to do so, and to work as many hours a day as he likes. Few good workmen will take a holiday, or will ever wish to shorten hours

unless they can do so at the expense of their employers. That is a matter which I think should be permitted to regulate itself. Holidays are not of certain advantage; perhaps because we do not know how to use them.

We have never tried cooperation, premium payments, profit sharing, industrial copartnership, or anything of the kind. I think that our employees prefer a satisfactory, definite payment rather than a less amount with a possibility of an increase dependent upon the success of the business. Workmen are suspicious of their employers. Under an arrangement of the kind referred to they would always be in doubt whether they were receiving everything to which they were entitled. In saying this I make no reference to a class of very superior employees who under a profit-sharing system would receive large payments. Such men would have the intelligence to see to it, and would be pretty sure to take care that their interests would be looked after in a way that would be satisfactory to themselves.

RUINOUS COMPETITION IN THE THREAD BUSINESS A CHIEF REASON FOR FORMING THE AMERICAN THREAD COMPANY.

Q. (By Mr. Jenks.) The statement is quite complete along certain lines, but there are some points that have not been covered. Will you tell us what was the condition of the business at the time that it was proposed to organize the American Thread Company?—A. Well, there was quite a rivalry between the different companies with reference to disposing of the goods. Some were cutting prices in all kinds of ways to get the trade, and the consequence was that the business was down to a very low profit, if any at all. This was true of many of the concerns that finally went into this organization.

Q. In many cases the condition of the business was such that the mills were making practically no money at all?—A. Yes.

Q. So that you would give as at any rate one of the chief reasons for coming together, the desire to avoid ruinous competition?—A. Yes.

ECONOMIES IN SALE OF PRODUCT THROUGH COMBINATION—CLERICAL EXPENSES LESSENED—SAVING IN SALESMEN AND IN ADVERTISING.

Q. What other reasons were prominent?—A. Another reason was that by putting the different concerns under one organization there would be an immense amount saved in disposing of the product of the different concerns, and also in the manufacture.

Q. In what ways did you expect to make savings in disposing of the product?—A. Before the organization 10 or 12 different concerns had different stores and offices in various cities all over the country, and they also had employees in all their offices, and each concern had drummers, as we call them, going all over the country to dispose of the goods. By organization we practically united all of the offices in each city. In that way we saved a tremendous amount of rents, and also saved a good deal of expense in the bookkeeping, by having it all concentrated under one roof, with one set of men.

Q. Were you able to save expense in traveling salesmen?—A. Yes; we have saved considerably in that line.

Q. With how many fewer traveling salesmen are you able to get along?—A. Oh, I should think with about two-thirds.

Q. Would you say, then, that you get along with fewer traveling salesmen and also that they are more efficient in their work?—A. Yes; we picked out the best ones, of course, to keep.

Q. In selling the goods of the American Thread Company, you have advertising of different kinds, of course. Will you tell us whether there is any special saving in advertising?—A. Yes, an immense saving. We advertise now but very little. Previous to the combination, as you term it, there were what we called "cabinets" furnished by each concern that sold thread to the stores for retail. Those cabinets cost from $5 to $6 apiece, and they were furnished with 100 dozen of thread. Since the new organization we have dispensed with furnishing those cabinets.

Q. You no longer furnish any cabinets at all?—A. Not free. If they wish them at cost, we furnish them.

Q. About what saving or percentage of saving did this concentration enable you to effect in rents, office force, bookkeepers, and so on?—A. I really could not tell that. I never looked into it; but the saving in the rents would be a great deal more than in the bookkeeping.

Q. But the saving at any rate was very large—enough so as to affect dividends considerably?—A. Well, I should think it would make considerable difference. I could not tell exactly how much, but I am sure it was quite a large saving.

ECONOMIES IN MANUFACTURE—SPECIALIZATION IN MANUFACTURE BY THE VARIOUS PLANTS.

Q. In what other way did you make savings? You have spoken of the savings in sales, and did you also say savings were made in manufacture?—A. Yes.

Q. How were those savings brought about?—A. Formerly each concern had to carry a complete stock of different kinds. There is an immense detail to the thread business. Each concern formerly had to carry a hundred different colors, kinds, and numbers, in order to get the sales. Under the new concentration, we have an arrangement for each mill to make a specialty, which reduces tremendously the cost of making and we keep a regular account; all comes to one focus, and we can tell at any time whether we are getting too much of this or the other kind, and in that way the aggregate stock of all the mills is reduced almost one-half.

Q. Are you able to use your machinery to better effect by having the machinery in any one establishment running all the time along one line?—A. Decidedly, yes.

OUTPUT AND CAPACITY OF AMERICAN THREAD COMPANY COMPARED WITH FORMER AGGREGATE OUTPUT OF THE CONSTITUENT COMPANIES.

Q. Is your present output of thread as large as the aggregate output of the different establishments before the concentration?—A. Just at the present time I do not think it is quite as large. For the first 6 or 8 months we could not fill the orders; we could not keep up. At present, it is about the average.

Q. Have you been able to close down any establishments, or are they all running?—A. Two or three small concerns located at out-of-the-way places we closed down, and sent some of the machinery to the Willimantic and some to the Holyoke factories.

Q. There has been a change in the location of some of the machinery, but your producing capacity is as large as before?—A. Just about the same.

COMBINATION MAKES POSSIBLE A SAVING IN THE PURCHASE OF SUPPLIES.

Q. Do you think of any other economies that you have made besides these in manufacture and in selling?—A. Well, in buying our supplies. Buying cotton and everything of that kind in large amounts is an advantage.

Q. Do you now buy all of the cotton supplies, for example, for your different establishments through your one office in New York?—A. Yes.

Q. And then you ship them to the plants when wanted?—A. Yes.

Q. So also as regards your other supplies? What other kind of supplies do you think of?—A. Oil, leather belting.

Q. Can you not inform us as to the amount that you save in the course of a year in purchasing these supplies from the companies being united in this way?—A. Well, I should think that we save at least 5 per cent.

Q. Do you find that this advantage comes simply from buying a larger quantity, or do you have more skillful buyers?—A. Well, we have one man appointed purposely for that business. That is his whole business, and he looks to it closely all the time, and in that way he is better posted and probably gets better prices than would be obtainable on the old basis.

Q. Can you give any estimate as to the saving that comes in the buying of cotton?—A. I could not say particularly about that. Under the old management of things, when I bought the cotton for the Merrick Thread Company, I always bought a year's supply in December. As a general thing—not always—it turned out best, for in that way we had a better pick, getting the best grades that were then just coming in. Not very long after the new organization went into operation, the price of cotton commenced to go up very fast, and along about the 1st of January, 1900, it was very high, and the consequence was, our buyer (after we charged one man with all the buying) thought best not to buy at that time, and I think he has since purchased in smaller lots, more as we used to do, from hand to mouth. But the price of cotton, taking it all together, has been a great deal higher than it was 4 or 5 years previous to the organization.

Q. You now have storage capacity so that if the state of the market seemed to justify it you could buy a year's supply in advance?—A. Yes.

PRICE OF THREAD INCREASED IN PROPORTION TO INCREASED COST OF RAW MATERIAL.

Q. What has been the general range of prices of your thread as compared with prices before the organization?—A. The prices were kept the same up to the time that the raw material commenced to rise. After upland cotton, the kind that we

buy sometimes, had risen from 6 cents to 11 cents, and the sea island from 14 to 22, the price of the thread was put up in about the same proportion, because of that increased cost of raw material.

Q. So you would say there has been an increase in the price of the product in proportion to the increase in the raw material?—A. Yes.

Q. Would it be more than that?—A. I think that, just as nearly as we could figure it—just about in that proportion.

CERTAIN BRANDS WERE REDUCED IN PRICE AFTER THE COMBINATION WAS FORMED.

Q. After the combination was formed and before the price of the raw material went up, there was no reduction in the price of your thread as the result of these economies that you made?—A. Some of the brands were put down.

Q. And were others put up?—A. Not until this time referred to, when the raw material went up. To give you a little idea: There are at least 20 different qualities of thread made, and the price varies all the way from 16 cents a dozen to 50, according to the quality of the material, the number of strands, and the goodness of the thread.

Q. Does your company manufacture anything besides cotton thread?—A. Oh, yes.

Q. What are the other lines that you manufacture?—A. We also manufacture cotton yarns.

Q. Did the prices of your cotton yarns vary in the same way as the thread?—A. Yes.

Q. Was the price of cotton yarn reduced at all before the price of cotton went up?—A. I think it remained the same.

Q. Did the price of yarn go up afterwards when the price of cotton went up?—A. Yes.

DISPOSAL OF THE INCREASED PROFITS RESULTING FROM THE ECONOMIES OF COMBINATION.

Q. Then, if I understand what you have said, the savings that came from the various economies that you spoke of went mainly to increasing the dividends? The business had been bad before, and the new company took the profit mainly?—A. Yes.

Q. But in a few grades the consumers got the benefit of the economies?—A. The prices were not put up any. The new concern kept right along, and in fact it has hardly got straightened out yet. The old concern sold to the same men; no changes were made, particularly; everything went along just as though the plants had been separate; but after we united there were some of the lower grades of thread on which the prices were put down. There was such an immense competition in those low grades that none of the yarn mills could make them. In order to sell, we had to put down the price.

PROPORTION OF OUTPUT CONTROLLED BY THE AMERICAN THREAD COMPANY.

Q. How large a proportion of the output of thread in this country does the American Thread Company have?—A. As nearly as I can form an opinion, I should say it would be a little less than one-third of the sewing thread.

Q. So you still have competition?—A. Yes; plenty of it.

Q. And the lowering of price, of which you spoke, on these lower grades, was forced by this outside competition?—A. Yes.

CHIEF COMPETITORS IN THE THREAD INDUSTRY—THE COATS COMPANY.

Q. Who are your chief competitors?—A. Well, there is the immense Coats concern, a foreign company. There is what we call Gardener Hall, and the Wachusetts Company, and a man by the name of Isaac Einhorn.

Q. And yet you say you think you have a little less than one-third of the output. Do you mean a little less than one-third of the amount manufactured in this country?—A. Yes. The foreign corporation manufactures its thread in this country.

Q. The Coats establishment, then, has a concern here and manufactures here?—A. Yes; it is all made here, and the Clarke's, which is now with the Coats'.

Q. Do the Coats people manufacture any of the thread here that is sold abroad?—A. Not that I know of.

Q. You think they manufacture simply for the American market?—A. Yes.

COMPARATIVE WAGES IN ENGLAND AND AMERICA IN THE THREAD INDUSTRY.

Q. Do you know how the wages in your establishments, or in the American establishments, compare with the wages in England and in Scotland?—A. Yes; they are just about one-half less there than they are here.
Q. You pay just about twice as much as is paid there?—A. Yes.
Q. How does it happen that the Coats people manufacture their thread here instead of manufacturing it in England and sending it here?—A. Because there is a duty on it. That is what brought them here in the first place.

PRESENT WAGES IN THREAD INDUSTRY HIGHER THAN THOSE OF TEN YEARS AGO.

Q. Have your wages changed any since the organization of this company?—A. Yes; they have increased.
Q. About how much?—A. Oh, I can not tell you that. The wages of pieceworkers have not varied much, but the pay of day help has increased some.
Q. How do the wages now compare with the wages paid 10 years ago?—A. They are higher.
Q. Was there any reduction of wages during the period of depression in 1893, 1894, 1895?—A. Not in the mill I was connected with. I think the Willimantic mill made a reduction of 10 per cent. There was never any reduction made in the company I was with—the Merrick Company.
Q. So that every change that has been made has been upward?—A. Yes.
Q. And this change that has been made in the wages paid by the American Thread Company has been mostly in the pay of day labor?—A. Yes; in the pay of overseers and superintendents.
Q. They have had their wages increased?—A. Yes.
Q. Do you think of any other class of labor besides superintendents whose wages have been put up?—A. Well, I think the wages of some of the dresser tenders were raised about 7 or 7½ per cent.

WAGES RECEIVED AND WORK DONE BY MALE AND FEMALE LABORERS.

Q. I suppose you have also working by the day some unskilled laborers for boxing, packing, carting, and so on?—A. Not very many. We have a few, of course. All the packing is done in the mill.
Q. What are the wages that you pay to those who work by the day—to ordinary laborers?—A. The females that work by the day range from $1 to about $1.50; the males, young men, from $1.50 to $2.50.
Q. What kind of work do the women do?—A. The women attend the winders, twisters, and do such work as that.
Q. And what work do the men receiving the higher wages perform?—A. Well, they are mule spinners and dresser tenders.
Q. Do the men and women do the same kind of work at all?—A. No.
Q. You spoke of the fact also that some of your employees were working by the piece. About what proportion of your laborers are working by the piece as compared with those that work by the day?—A. I should think something like one-third.
Q. How do their wages compare?—A. The females make all the way from $1.25 to $1.75 a day. I do not think we have many men that work by the piece. The mule spinners have an arrangement to be paid part by the day and part by the quantity.

TENEMENT HOUSES—CHARACTER—RENT, AND FACILITIES FURNISHED.

Q. I notice that in your statement you spoke of having tenement houses in Holyoke and also in Willimantic?—A. Yes.
Q. I believe you said that at Holyoke about one-eighth of the employees are provided for in that way?—A. Oh, I think it is less than that.
Q. I suppose you make something of a profit out of the rent?—A. No; we would be very glad to sell the houses and not keep any at all.
Q. When, and why did you put them up?—A. Well, they were put up 30 to 35 years ago, when there were no tenements there. We had to have boarding houses; but since it has become a city everyone can get tenements.
Q. (By Mr. Phillips.) Are the people housed in the same tenements that were built 50 years ago?—A. Some of them are. That is, they were built about 30 to 35 years ago. The houses have been kept right up to the handle, with all modern improvements. They were built in 1865.

Q. What is the character of the houses built in that period?—A. They were built of wood; they were good houses.

Q. How many rooms?—A. There were two tenements in a house; I should say there were at least 12 or 14 rooms in the tenements.

Q. (By Mr. JENKS.) Do you know about what rent you receive for these tenements?—A. I do not know what rent they get in Holyoke. I know what rent we get down at the lake.

Q. Do you have tenement houses there also?—A. Yes; we had to have; there were no houses there.

Q. About what rents do you get there?—A. Five dollars a month.

Q. How many rooms are there in those tenements?—A. Six or 8.

Q. (By Mr. PHILLIPS.) For each family?—A. Yes; we get $5 a month, and supply them with all fuel, free. They have plenty of water there, right on a big lake.

Q. (By Mr. JENKS.) Then the intention in building these tenements was not to make conditions good, but was practically a case of necessity?—A. Yes; we had to do so.

Q. And the intention was not to make money from the rents?—A. No; we have been trying to sell those houses at Holyoke for 5 years, and can't do it.

NUMBER AND CHARACTER OF EMPLOYEES WHO OWN THEIR OWN HOUSES.

Q. (By Mr. PHILLIPS.) I desire to ask one question about the difficulty of selling the tenement houses. What per cent of your people own their own places of residence?—A. Nearly all of our overseers, superintendents, and a great many of the dresser tenders own their own houses. I could not say what proportion to the whole amount of hands we have, but there are quite a good many of them.

Q. Are the wages such as to enable them to own their own places by economical living?—A. Yes; they build them out of their earnings.

Q. But you do not know the per cent that own their own houses?—A. I could not say. I can think of probably 20 people—20 overseers and superintendents who own their own houses.

Q. More of the overseers own than of the common laborers?—A. Yes; the latter hire their tenements.

Q. Do the laborers get sufficient wages to build houses?—A. Not what we call the common laborers. But there are some that work by the day that own their own houses. Of course, lots of this labor is female labor, and their families live there. They come from Canada—in later years increasingly from Canada. They hire tenements and save their money; put it in the bank—lots of them.

Q. (By Mr. JENKS.) About what percentage of your laborers are French Canadians?—A. I suppose one-third; probably one-quarter to one-third, now.

Q. Are the others mostly American born?—A. The others are mostly American.

Q. Do you have any Irish immigrants who are not yet naturalized?—A. No; the laborers are either American born or French Canadians.

THE TARIFF ON IMPORTED THREAD.

Q. You spoke also of the fact that the tariff had brought the Coats people over here to manufacture?—A. Yes.

Q. Do you remember what the tariff is on thread?—A. Well, the tariff now is 6 cents on every 1,200 yards—12 cents on a dozen 200 yards, which is the ordinary sized spool, and a proportional addition if in excess of the 200-yard spool.

Q. Will you tell also what the tariff is on the other lines of your products?—A. Well, it varies according to the prices and numbers and doubles and yarn; takes in quite a large category.

Q. About what percentage, ad valorem, would it be on spool cotton and other articles, including yarn, etc.?—A. Between 40 and 50 per cent.

Q. That tariff is high enough wholly to prevent the foreign thread from coming in here?—A. No. At present the companies which manufacture—the Chadwick's, the Brook's—which were foreign concerns, have amalgamated with the Coats Company. They made thread over there, and those threads were sent here at one time; some, but not very much; and since they amalgamated those threads are put up here by the Coats Company.

Q. Did the Coats Company formerly send their thread over here before they built their American factory?—A. Yes.

Q. Do you remember about what time they built their American factories?—A. They commenced about 1868, I think.

Q. Since then they have increased their factories considerably?—A. Yes.

Q. Are those establishments of the Coats in this country controlled entirely by the English firm, or have they also taken in American capital with them, and made a separate company here?—A. They are controlled by foreign capital.

REMOVAL OF THE TARIFF WOULD DESTROY MANUFACTURE OF THREAD IN AMERICA.

Q. What would you say with reference to the general question of the tariff on thread? Would it be desirable to lower it?—A. I think it is about right as it is.

Q. In your judgment, what would be the effect of removing the tariff on thread?—A. Well, I think the thread would then be made in England and sent here.

Q. (By Mr. Litchman.) Why?—A. Because labor is just one-half there what it costs here, and they can get the cotton as cheaply as we can.

Q. (By Mr. C. J. Harris.) Do you think that the economies of consolidation would in a given time allow you to compete with the world without the tariff and without lowering the wages of labor very materially?—A. Well, I think it would help us toward it; whether it would be enough to accomplish that whole difference or not I can not say.

Q. (By Mr. Jenks.) Do the English manufacturers have combinations also to make the same economies in thread?—A. Yes. That has been done in later years.

Q. (By Mr. Phillips.) Did the Coats Company combine with anybody else in England?—A. Yes.

Q. (By Mr. Jenks.) Did you mean to say that if the tariff on thread were removed, in your judgment it would practically drive the thread manufacturing business out of this country?—A. Yes.

Q. You do not think you could compete at all?—A. We could not do it.

Q. Would that apply also to cotton yarn as well as to thread?—A. Not nearly to the same extent, because not nearly as much labor goes into yarn as into thread.

Q. Is thread making a matter largely of machine manufacture, or is there a great deal of hand labor employed?—A. Oh, there is a great deal of hand labor on it with all the inventions of machines.

Q. More hand labor in the manufacture of the spool thread than there is in the manufacture of the yarn?—A. Oh, yes.

PROPORTION WHICH LABOR COST FORMS TO TOTAL COST OF PRODUCT.

Q. Can you tell what proportion of the cost of your product is labor cost?—A. I should think about one-half was labor cost.

Q. Would that apply to the yarn and the thread both?—A. No; that applies to the thread.

Q. About how much of the cost of the yarn is labor cost?—A. Well, from one-quarter to one-half.

Q. (By Mr. Clarke.) When you say labor cost in that respect, you mean the labor cost in your mills; you do not refer to the labor that developed the material and brought it to you?—A. No.

REMOVAL OF TARIFF ON THREAD WOULD AFFECT WAGES.

Q. (By Mr. Litchman.) On this point of the economies of production that have followed the organization in this country: These same advantages are within the reach of the combinations existing in England?—A. I suppose so.

Q. And if the tariff were removed there is nothing to prevent the organizations in England from having every advantage of production that the factories in America have, is there?—A. So far as the getting together and amalgamating is concerned.

Q. And, of course, in the cost of raw material, as you have already stated. Then the first to feel the effect of the removal of that protection would be the labor employed in the factories?—A. Yes.

Q. (By Mr. Farquhar.) Where the wages of labor form half of the cost of your product, and your tariff is an average of 40 to 50 per cent protection, is that tariff sufficient to cover the difference in wages between this country and Europe?—A. I think that this present tariff is just about equal to the difference of the cost of the labor here and over there.

Q. Then that places the American manufacturer and the European manufacturer on all-fours in the competing line?—A. That is it.

Q. What importations have we of foreign thread now?—A. I do not know of any.

FOREIGN THREAD MANUFACTURERS ARE INTERESTED IN AMERICAN PLANTS.

Q. (By Mr. PHILLIPS.) Then if they are placed on an equality ought there not to be some importation?—A. Those thread makers over there all have their mills here. All that make thread over there are interested in the mills here.

Q. (By Mr. FARQUHAR.) That is, a portion of European capital invested in the thread manufacture there has removed here?—A. They are on both sides.

Q. Building American factories, but at the same time coming in here and competing with the American manufacturers under the tariff?—A. They have moved their mills here to sell their thread made here to the United States, and the thread that is sold in other parts of the world they make in Paisley, Scotland.

IMPOSSIBLE GENERALLY FOR AMERICAN MANUFACTURERS TO COMPETE IN THE FOREIGN MARKET.

Q. Do you export at all?—A. Not very much.

Q. Do you know of any exportation on the part of the American thread makers?—A. None of any consequence.

Q. Do you think it is possible under the prices we have here and the prices in Europe to export thread?—A. Not unless you have some article they do not make—some extra quality or specialty for some particular purpose that they can not get there.

Q. How does the New York market compare with the London market in thread prices?—A. I could not tell you that, for I really do not know the prices they have over there now.

Q. Under the cheaper production due to smaller wages in Great Britain, do the consumers in Great Britain get any advantage over the American consumers?—A. Well, that depends on what price the maker puts on thread. I do not know exactly what the prices are over there. The makers could sell thread cheaper there than we can here.

Q. But you are not sure whether they do or not?—A. No.

Q. Can you give us the figures in the London market and the market here on the same grades of thread?—A. The retail price of 200 yards, 6 cord is equal to 4 cents in American currency in London and is 5 cents in New York.

SELLING PRICE OF THREAD WAS ONLY INCREASED SUFFICIENTLY TO COVER INCREASED COST OF RAW MATERIAL.

Q. (By Mr. A. L. HARRIS.) The cost of production of your finished product is about one-half labor?—A. Somewhere about that; I could not say exactly.

Q. I understood you to say that the increased price of your finished product was at the same per cent as the increased cost of your raw materials. Now, if half of the cost of the product is labor cost, and there was no material increase in the cost of labor, was there not an actual increase in the margin between the cost to you and your selling price to the consumer?—A. Oh, no, no; the finished product was increased in price about what the difference in the cost of the raw material made in the cost of those goods.

Q. (By Mr. JENKS.) Do you think that the American laborer in the thread mills is more efficient than the English laborer?—A. Yes.

Q. So that even though the wages here might be double what they are in Great Britain, the labor cost would not be double?—A. No; the laborers do more work here.

Q. About how much more is the actual labor cost here?—A. Let me explain a little. All these parts of the spool-cotton making which are done by the piece come right down to the percentage of difference. The English manufacturers pay about one-half as much as we pay for winding a dozen spools, and so all through the piecework. When you come to the hands that work by the day, why, of course, then comes in this difference in efficiency. We have the advantage there. A man will do more here than there—do it right along all the time.

Q. Where they work by the piece, of course, that advantage does not enter?—A. That brings it right down to the actual cost. We pay a cent a dozen and they pay half a cent a dozen for winding. That is the essence of it.

ACCOUNT OF THE FORMATION OF THE AMERICAN THREAD COMPANY.

Q. Will you take up now the question of the way in which the company was organized here? State how they brought together the different plants, the general method of organization, and the part that the English thread manufacturers took in

organizing this American company.—A. Mr. Dos Passos started the thing first. He saw the different heads of these various concerns and got them to agree upon a price for which they would dispose of their stock—in other words, took an option for a certain length of time. And they worked along for quite a long time; and, as I understand, he went over to England and saw parties there that represented the English Sewing Cotton Company that had been formed there, and got them interested in the project. They came over and had that option continued two or three times; and finally it got down to a point where they thought they could carry the thing through, and those options were taken up and paid for.

Q. Then do you understand that Mr. Dos Passos was acting for the leading men in the English Sewing Cotton Company?—A. I think he was, in the final wind-up of the thing.

COMMON AND PREFERRED STOCK AND BONDS OF THE AMERICAN THREAD COMPANY.

Q. Do you know what proportion of the capital that was necessary to buy in these American plants was furnished by the English company?—A. The money necessary was furnished by the English Sewing Cotton Company. Some of the sellers took bonds instead of cash.

Q. Do I understand, then, that the present American Thread Company's stock is held largely by this English Sewing Cotton Company?—A. The common stock is. ~~When~~ it was decided to consummate the new American Thread Company, a prospectus[1] was issued in England and in this country asking for subscriptions, and a large majority of the preferred stock was subscribed for mostly in England; some here, and the bonds were nearly all taken in this country. Of the common stock there had been but little paid in, and that was held by the English Sewing Cotton Company.

Q. The English shares were, I believe, small shares—$5 shares?—A. Yes.

Q. About how much was paid in on the common stock?—A. There was $2 paid in at first; there has been more paid in since.

Q. Then as to the bonds; what per cent were these bonds?—A. Four per cent gold bonds.

Q. Those were largely taken here?—A. Quite largely.

Q. Were they taken mainly by the owners of these different companies?—A. Some of them were.

Q. These companies that sold out to the American Thread Company received their pay in cash, or in bonds, or in stock, or in what way?—A. Well, there were quite a good many that took half money and half bonds; some took all money, and some took more bonds than they did cash.

Q. But in the main they did not take common stock, or even preferred stock?—A. No; not very much of the preferred stock. There was a large portion of it sold in England.

THE ENGLISH SEWING COTTON COMPANY OWNS A MAJORITY OF THE STOCK AND CONTROLS THE AMERICAN THREAD COMPANY.

Q. (By Mr. PHILLIPS.) Then, according to that, the English own the majority of this company's stock?—A. Yes.

Q. The majority of the dividends would go to England and not to this country?—A. They would to-day, yes. The stock is in the market for sale all the time.

Q. (By Mr. JENKS.) But at the present time the majority of both stocks, common and preferred, is owned and held by the English Sewing Cotton Company?—A. The English Sewing Cotton Company does not own all the preferred stock.

Q. They own all the common?—A. Nearly all of it.

Q. Do you know of any large owners of the preferred besides the English Cotton Company—for example, J. and P. Coats?—A. I think J. and P. Coats took $500,000 of the preferred stock. The preferred stock does not vote in the company. The voting is all done by the common stock.

Q. (By Mr. PHILLIPS.) And that puts the absolute control in England and not in this country?—A. Yes.

Q. (By Mr. JENKS.) Has the English Sewing Cotton Company any directors in the company here?—A. Yes.

Q. How many of the directors do they have?—A. Well, I think 3; I could not say exactly.

Q. That is, 3 directors in the English company are also directors here?—A. Yes.

Q. And are any American directors also directors in the English Sewing Cotton Company?—A. Yes.

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[1] See copy of prospectus, p. 359.

Q. Do the English directors who are also directors in your company live in the United States?—A. No.

Q. The English company has 3 representatives here active in your company?—A. Yes.

Q. And are the Americans who are directors in the English company living there?—A. No.

Q. The two companies are actively working together?—A. Yes.

RELATION BETWEEN THE COATS COMPANY AND THE AMERICAN THREAD COMPANY.

Q. Now, what is the relation between J. and P. Coats and the English company and your company? You say J. and P. Coats own half a million dollars of preferred stock in your company, but have no voting power?—A. That is correct.

Q. What arrangements do you have with them as to prices, and so on?—A. I do not think there is any absolute arrangement. They do not quarrel as they used to; but they are under us in prices on some things and we are under them on some things. On the 200-yard 6-cord spool cotton we are about 2 cents under them, and on some of the long lengths they are under us.

Q. Would you say that in this case in the American market you are in real competition with the Coats Company?—A. Yes; to a certain extent. We are not fighting to-day as we used to, but their men go to our people to try and sell.

RELATION BETWEEN THE COATS COMPANY AND THE ENGLISH SEWING COTTON COMPANY.

Q. Well, what is the situation in England as between the English Sewing Cotton Company, which is really another part of your company, and the competitors? Do you know whether they have a division of territory or any agreements on prices?—A. The Coats Company took about $1,000,000 of stock in the English company when it was first formed, but I understand they have sold out half of it now.

Q. After that selling of the stock of the English company, did they make any further agreement to stop their quarreling?—A. Not that I know of.

Q. (By Mr. Farquhar.) Is your stock listed in the New York Stock Exchange?—A. The bonds are. The reason the stock is not listed is because the stock exchange committee would not list such small shares—$5.

DISTRIBUTION OF THE STOCKS OF THE ENGLISH SEWING COTTON COMPANY.

Q. What was the character of the English company? Was it an open-share company, or were the shares taken up in bulk?—A. Oh, they were distributed to anybody and everybody.

Q. Did it come under the limit act there when the shares were put out in England, or was it simply a common company advertised with open rates?—A. It was advertised for all subscriptions, common to all.

Q. How widely are the subscribers to the English company's capital distributed?—A. The capital is distributed in small lots. It is widely distributed.

Q. That is, its stock is not held by Coats or by any other party in bulk?—A. Oh, no; only that $500,000 of the preferred stock.

Q. How about the stock of the American Thread Company? Is it an open stock, and is it sold very widely, or is it nearly all held by those who were the original owners of the plants?—A. The preferred stock of our company is distributed in England, as I told you. And the common stock at the present time is mostly held by the English Sewing Cotton Company.

Q. How about your bonds?—A. The bonds are distributed; how widely, I could not tell you. They are coupon bonds, and, of course, you can not tell anything about them. They have been sold in the market more or less and are selling, I think, all the time.

Q. (By Mr. Jenks.) You say they are regularly in the market, listed bonds?—A. Yes.

Q. When your company was organized, was there any large proportion of the stock reserved for special issue to the directors and shareholders of these vendor companies or reserved for the English Sewing Cotton Company and the Coats Company?—A. No.

Q. Only the subscribers got any of that which was allotted, of which you speak?—A. Yes.

CAPITALIZATION—AMOUNT OF COMMON AND PREFERRED STOCK AND BONDS AUTHORIZED.

Q. Now, in reference to your capitalization, you had a nominal capitalization, you say, of $6,000,000 preferred and $6,000,000 common stock, and you had $6,000,000 4 per cent gold bonds also. Not all of that was taken up, as I understand it?—A. ~~Not all.~~

Q. Do you know whether the aggregate of the preferred stock and bonds of your company represents more than the company's tangible assets?—A. What do you call the tangible assets?

Q. The lands, the buildings, the machinery, the plants and effects in general, and stocks in trade.—A. Well, I should think it was about the same.

Q. Then, is your common stock intended to represent the trade-marks, patent rights, good will, and so on?—A. Well, that was not gone into in that way that I know of. They concluded that they could make a fair business capitalizing it in that way, and so far we have done so.

Q. The reason I put the question in that way is because in this prospectus that I have here—the English prospectus—the estimates of the lands and buildings, machinery, plants and effects, stocks in trade, book debts, and so on, are kept separate from the cost of the trade-marks, patent rights, and such property, and I wondered if the intention was to have the common stock represent the good will, trade-marks, and patent rights, and the bonds and preferred stock represent the tangible assets.—A. Oh, I do not think there was anything of that sort.

Q. You do not think that they contemplated dividing it in that way particularly?—A. No.

PAY OF THE PROMOTER.

Q. You say that Mr. Dos Passos was the man who really got the options on these plants and afterwards bought them and then sold them to this new company?—A. Yes.

Q. How did he get his pay, in selling at more than he paid?—A. I can not tell you. I do not know what arrangements he had with the Sewing Cotton Company.

Q. (By Mr. Phillips.) Did you or your company pay any commission, so far as your interest was concerned, to Mr. Dos Passos or to anyone?—A. No.

Q. Do you know of any companies that did pay commissions for selling?—A. No.

Q. (By Mr. Jenks.) Can you furnish to the commission a copy of the prospectus that was issued in this country at the time that the organization was made?—A. I think I can.

Q. We should also like to have a copy of the articles of association and of the by-laws, and, if you can furnish it, a blank form of the selling agreements used in purchasing the independent companies—of course, without the detailed figures of sale.

THE QUESTION OF STRIKES—LABORERS AND LABOR ORGANIZATIONS.

Q. (By Mr. Phillips.) You stated in the early part of your testimony that the better class of labor suffered by labor organizations. How do you explain that?—A. Well, I mean that when they strike and stop work, many times when they get straightened out again they have to take a lower place than they left. For instance, if some of our rooms should strike and stop work, why, of course, when they returned to work they would be reorganized more or less, and some of them would perhaps be in places where they would not get so much as they did before.

Q. That is upon the assumption that the strike is a failure. If they strike for better wages, do not they frequently succeed all around, the better workmen as well as the others?—A. They may, some of them.

Q. Has not that been the rule? Have not the wages in this country been bettered by and through strikes? Has not this kind of revolution been the laborers' means of elevating wages?—A. I do not think so.

Q. Would the working people have been in as good a position to-day had they never organized and had they left it to the individual corporations or capitalists to fix their pay?—A. So far as I individually know, I think they would have been. We never had a strike. We always raised our men along and gave them good wages, and if they had any trouble we told them to come to us and we would make it right. The men whose work we discontinued we paid three months' pay without work. Then we told them to go to those places where we had work, and we gave them employment.

Q. Well, were you not an exception, perhaps? There are some who do not do that. Do you believe that large industries can be conducted with capital organized, but with the workmen making contracts individually? When capital is organized

on the one hand, does it not imply organization of labor on the other, lest one dictate and the other be compelled to submit?—A. Oh, there may be people of that kind. Take the lower class of people, like coal miners and others like them; they probably would do as well. But with the ordinary class of people in New England, my opinion is that without strikes they will do better all the time.

Q. You do not, then, believe that the evolution of the workingman toward a better wage has been obtained largely through organization and frequently through strikes?—A. Oh, I do not argue against strikes. Laborers have that right, and probably in many cases they have increased their pay and bettered themselves. I do not dispute that at all, but I am talking about my personal experience through New England.

Q. And you believe that labor has the same right to organize that capital has?—A. Yes, yes.

Q. And to fix the wage scale?—A. Yes.

Q. Now, you spoke of not fixing a sliding wage scale. Is it not a proper thing to do to make a contract for a year in a great many industries?—A. Yes.

Q. And would the labor not be oppressed were it not for fixing the wage scale to last for a year in those concerns?—A. It might be; in a great many cases no doubt it is so.

A MONOPOLY IMPOSSIBLE IN THE COTTON THREAD INDUSTRY.

Q. You claim that about one-third of your industry is embraced in your company?—A. Yes.

Q. Then you have not sought to monopolize the whole cotton thread industry?—A. No; I do not think it can be done in this country. It is a thing that is too easy to get into. A man that has $10,000 can go to making spool cotton.

Q. You have no patents that you control or any special rights to machinery for making thread that are not open to all?—A. Oh, we have very few.

Q. Nothing that would constitute a monopoly along any given line?—A. No.

AGGREGATE PRODUCT MADE BY THE AMERICAN AND THE COATS COMPANY.

Q. (By Mr. Jenks.) You say that your company controls about one-third of the American product. Do you know what proportion of that product would be controlled by your company, together with the Coats and the English Sewing Cotton Company?—A. The English Sewing Cotton Company does not sell any on this side.

Q. (By Mr. A. L. Harris.) They do not do their own manufacturing on this side at all; they simply have that interest in your company?—A. Yes, that is all.

Q. Well, what proportion does your company, together with the Coats, sell?—A. They sell two-thirds.

Q. (By Mr. C. J. Harris.) Does the Coats combination include the Clarke also?—A. Yes.

Q. (By Mr. Jenks.) And so you include the Clarke when you say a little over two-thirds?—A. The Clarke, the Chadwick, and the Brook.

Q. How about these other competitors that are outside of the Clarke and your company?—A. Gardener Hall is the largest. He is not connected with either the English company or with us.

Q. (By Mr. Litchman.) What proportion of output is his?—A. Well, I could not tell, but my idea is that he sells $800,000 worth a year. That would be about one-twentieth.

Q. Then your combination and the Coats Company and he together control over 70 per cent of the entire product of the country?—A. Somewhere about that; I could not tell exactly.

COMPETITION BETWEEN THE AMERICAN AND THE COATS COMPANY.

Q. Have you not stated that there is a friendly interest between the Coats Company and your company?—A. I stated that we do not fight. I did not state that we were on any agreement of prices, or anything of that kind, particularly.

Q. Well, does it not substantially amount to that?—A. No; they sell under us in lots of things, and we sell under them in lots of things.

Q. Well, there is a sort of tacit agreement then that you will not invade each other's territory?—A. I think they go anywhere they please. I do not think there is any particular agreement.

Q. (By Mr. Phillips.) You make no organized effort to drive them out of any given market, do you?—A. Not that I know of.

Q. Nor do they make such an effort to drive you out of any given market?—A. Well, they went to 1 of our customers in the West 2 or 3 weeks ago and offered to sell 5 per cent under us.

INCREASED PRICE OF RAW MATERIAL HAS PREVENTED THE COMBINATION FROM LOWERING PRICES OF PRODUCT.

Q. (By Mr. C. J. HARRIS.) I have not yet heard you say just what benefit, if any, the consumers have gotten from this combination. Is there or has there been any benefit to them from this combination? Has there been as yet a lower grade of prices to the consumer through these economies you have mentioned as brought about by the combination?—A. I do not think there has been very much change to the consumer as yet. The price of cotton went up tremendously, and of course that made higher prices for thread. If things had remained just as they were, I think that quite a good many of the threads would have been cheaper.

Q. I should like to know definitely whether there was not, soon after the formation of this combination, quite a considerable rise in the price of thread all over the United States, regardless of the rise in the price of cotton?—A. I do not think there was.

Q. (By Mr. PHILLIPS.) Well, you spoke of having advanced the prices in January. What per cent was the advance?—A. December 23, 1899, there was an advance.

Q. How much was the advance?—A. I could not say; it varied. It was different in different qualities. Some of the qualities that were made of sea-island cotton went up the most. The price of that particular grade, of course, was raised higher than it was on the grades made of cotton that did not go up so much.

Q. Would it average 20 or 25 per cent on all?—A. Oh, no, oh, no.

Q. Ten per cent?—A. Probably 10.

QUESTION AS TO THE EFFECT ON PRICES OF THE FORMATION OF THE COMBINATION.

Q. (By Mr. JENKS.) What was the date of the organization? When did it begin business?—A. The 1st of April, 1899.

Q. (By Mr. PHILLIPS.) And this advance took place in December, 1899?—A. Yes, the 23d of December.

Q. (By Mr. A. L. HARRIS.) The best way to get these prices would be to give the monthly prices from the organization up to the present time?—A. There was no change up to that time.

Q. (By Mr. PHILLIPS.) Has there been any change since that time?—A. Some prices have been put down since that time.

Q. And some advanced?—A. I do not think there has been any rise.

Q. Could you not give us a schedule of prices that you placed upon threads in December—give the prices when the company was organized, and then the advance?—A. This is shown in a circular issued at the time, which is as follows:

The American Thread Company.

[Agencies: New York, 260-266 West Broadway; Boston, 112 Beach street; Philadelphia, 1015 Filbert street; Chicago, 200 Monroe street; St. Louis, 911 Locust street.]

NEW YORK, *December 23, 1899.*

Change in discounts.

On and after this date the trade discount on our thread to the manufacturing trade will be 5 per cent where it has been 15 per cent heretofore.

This applies to all thread sold to the manufacturing trade in our several grades of 2, 3, 4, and 6 cord, and in all lengths and styles of winding.

The terms, 2 per cent 10 days, 1 per cent 30 days, or net 60 days, remain as before.

Hoping to be favored with your further orders, we are,

Yours, truly,

THE AMERICAN THREAD COMPANY.

Q. (By Mr. A. L. HARRIS.) The reason why I would like to have the matter of prices made clear is because my recollection is that the consumer had to pay a higher price immediately after the combination, and I would like to know whether the retail dealer or the jobber or the manufacturer got the added price.—A. I think the retailer. You see there are 2 classes of thread as we class it. One is the 200-yard 6-cord thread, which goes into the regular family trade. That particular kind is not over one-half of the thread made in the United States to-day. Now, that thread retails for either 4 or 5 cents. It is not handy to make it 4½, you see, and there is an advantage of 20 per cent in the retail right there; and when the manufacturer changes 10 per cent, why the retailer can not change his price at all, and that is the

way that it has been lots of times. Sometimes when the price goes down the retailer makes all the difference; he retails at 5 cents just the same. Thread has been retailed for 5 cents in the country here for 30 years, but the price of the manufacturer has varied more or less.

THE MERRICK COMPANY COMPARED WITH THE AMERICAN THREAD COMPANY.

Q. (By Mr. FARQUHAR.) With what company were you connected before this combination?—A. The Merrick Thread Company.

Q. How long were you with that company?—A. Forty years.

Q. What were your average dividends in that company before the combination?—A. Ten per cent.

Q. What have been the dividends in your new combination?—A. Well, we have not been formed long enough to tell much about it.

Q. You have paid no dividends since you made the combination?—A. I think they paid one, 10 per cent.

Q. Ten per cent on the common?—A. Yes.

Q. (By Mr. PHILLIPS.) One dividend in what length of time?—A. They are getting the books up now for the second year.

Q. For the first year, then, there was 10 per cent dividend on the common stock, and then interest paid on the preferred stock and interest on the bonds?—A. Yes.

Q. But in your other company—the Merrick Company—you had no preferred stock and no bonds, and paid 10 per cent on the capital?—A. Yes.

Q. Now, in addition to interest on the capital you are paying interest on the bonds and interest on the preferred stock?—A. Let me explain to you this first year. Previous to the time that this organization went into effect cotton was very low, and, as I told you, I always bought the cotton in December. That year's cotton—for the most of these concerns that used the sea-island cotton—was bought when it was very low. That was used up in that year, and they probably made a good deal more money than they will this year.

Q. (By Mr. LITCHMAN.) Some of your profit was derived from that cotton?—A. Yes.

Q. Did you advance the price of your finished product to meet the advanced price of cotton?—A. No; not during that year; not until the next January; then we advanced it. But during that year, up to January, the manufacture was from the cotton that I bought the December before.

CAPITAL OF AMERICAN COMPANY LARGER THAN FORMER TOTAL CAPITAL OF CONSTITUENT COMPANIES.

Q. (By Mr. PHILLIPS.) What was the total capitalization of these companies prior to your combination?—A. Well, I could not tell you that; I could tell you our own, the Merrick's, and the Willimantic. Some of the others I do not know.

Q. Is the capital now as large as that of all the individual companies before?—A. It is larger, if you take in all these securities and bonds and preferred and common stock.

Q. (By Mr. FARQUHAR.) So that out of less capital the Merrick Company that you speak of and others paid 10 per cent clear before, and the combine on an enlarged capital still pays 10 per cent?—A. Well, it did that year. The fixed charges on the new company are very small, you see. The low-interest bonds, the 4 per cent, and the 5 per cent, and preferred stock is pretty low compared with any of these companies that have been formed.

Q. What is your depreciation fund for?—A. The renewing of machinery, engines, etc., and repairs.

Q. Have any of your profits made during the past year gone into betterments of your property?—A. We have laid out $1,500,000 in building new mills and machinery, and that has been paid for from the calling in of this stock.

Q. (By Mr. PHILLIPS.) By the sale of common stock and preferred stock and bonds?—A. Yes.

THE RETAILERS' BUSINESS SIMPLIFIED AS A RESULT OF THE COMBINATION.

Q. (By Mr. CLARKE.) Have the selling arrangements of thread in retail stores been simplified as a result of this combination? For example, is it true that prior to this consolidation a large retail store may have carried the thread of several of these

different manufacturers, whereas now it carries the thread of only one company—this consolidated company?—A. Why, all these different brands are put up now just the same as they were under the old companies. But I think there are lots of storekeepers who keep 2 or 3 brands now—keep, for instance, Merrick's and Willimantic.

Q. And the Kaley thread, and so on?—A. Well, they sell some, but not very much. They have concentrated more and more on the two brands that were best known.

Q. Then the effect of the combination has been to simplify the selling arrangements?—A. Yes; in that way, yes.

Q. Now, previously a woman knew what brand to call for. How is she going to know now how to call for practically the same thing?—A. Why, she calls for the same brand of thread. The same tags are put on now as before.

Q. If she does not find it, what substitute does she get?—A. Well, she gets what she can find. If she asks for Merrick thread and can not get it in that store, if she gets any thread there she must take whatever else they have.

Q. That is exactly the point I wanted to get at, because the public convenience in a matter of this kind is sometimes of even greater importance than a slight difference in price. Is it not possible, since you have these several companies consolidated, to grade your threads so that a person can pay a price for that particular article and always get it anywhere and everywhere?—A. Oh, yes; that is to say, it simplified things in that way somewhat.

CERTAIN BRANDS ARE SOLD CHIEFLY IN CERTAIN LOCALITIES.

Q. I would like to know whether my wife can buy in Boston a thread which she approves, and buy the same thing in Washington? It is extremely difficult to do it now, or at least it has been.—A. My experience in the thread business is this; that each brand to a certain extent localizes itself in certain localities. Go up the North River from New York and you will find the Mile End in every store, and you will not find anything else. In New York City you will find the O. N. T., and you will find scarcely anything else, and in other places you will find all Coats, and you will find no other; and so good threads localize themselves in that way.

Q. Well, now, if my wife wants to buy a machine thread that will not break, what shall she call for?—A. I suppose she had better call for Merrick's.

Q. (By Mr. Clarke.) Could she get it wherever she happened to be?—A. I think if she has time enough she can get it. I think they would send for it.

PRICE OF THREAD IS REALLY CHEAPER TO-DAY BECAUSE THE QUALITY HAS GREATLY IMPROVED.

Q. (By Mr. Phillips.) Have you anything to state of your own motion that you have not covered?—A. Well, I will state that a great many people think they are paying as much for thread now as they formerly did. The price, it is true, is 5 cents for a 200-yard spool; but the same grade of thread they formerly bought for 5 cents a spool can be bought to-day at 3 cents a spool. That was a 3-cord thread. Up to 25 or 30 years ago all the spool-cotton thread was 3-cord.

Q. This combination did not make any improvement in the manner of manufacture?—A. There has been a gradual growth in the whole business of the manufacture of thread. The manufacture has been better and the workmanship finer—spun finer and twisted better—but the price for 200 yards has been kept about the same throughout the whole time except during the war, when everything went kiting, and then, of course, the price was put up.

(Testimony closed.)

Exhibit 1.—*Prospectus of the American Thread Company issued in England.*

The subscription list will open on Thursday, 1st December, 1898, and will close at or before 4 p. m. on Friday, 2d December, 1898.

$6,000,000 (or £1,240,000) of the common stock, $2,000,000 (or £413,333) of the gold or sterling preferred shares, and $2,000,000 (or £413,333) of the first-mortgage gold sterling bonds are reserved for issue to the directors and shareholders of the

vendor companies, to the members of the vendor firms, to J. & P. Coats, Limited, and to the English Sewing Cotton Company, Limited.

THE AMERICAN THREAD COMPANY.

[Incorporated 10th March, 1898, under the laws of the State of New Jersey, whereby the liability of the shareholders is limited to the amount of their shares.]

Share capital, 2,400,000 shares of $5 each,

divided as follows:

1,200,000 five per cent cumulative preferred gold or sterling shares

(Preferential as to capital as well as dividend.)

Dividends on which will be paid in gold in New York, or in sterling in London, at the fixed rate of 20s. 8d. per $5.

1,200,000 shares of common stock, of which it is expected that not more than $3 per share will be called at present.

2,400,000 shares.	Total, $12,000,000 or	£2,480,000
First-mortgage 4 per cent gold or sterling bonds,	6,000,000 or	1,240,000
(In bonds of $1,000, $500, and $50.)	Total,	3,720,000

Bearing 4 per cent interest, and payable on 1st January, 1919.

Both principal and interest being payable in gold in New York, or in sterling in London, at the fixed rate of 20s. 8d. per $5.

The bonds are payable to bearer with coupons attached, but for the convenience of investors may be registered as to principal.

The principal and interest of the said bonds will be secured by a deed of trust by way of mortgage in favor of the Guaranty Trust Company, of New York, of all the shares which have been or may hereafter be acquired in the undertakings hereinafter mentioned, together with all or any other property of the company.

The interest will accrue on the amounts of the bonds as paid up, and will be payable in New York in gold, or in London in sterling, on the first days of July and January in each year, the first proportionate payment to be made on the 1st day of July, 1899.

$4,000,000 of the gold or sterling preferred shares and $4,000,000 of the first-mortgage 4 per cent gold or sterling bonds (being the balance of the above-mentioned capital) are now offered for subscription at par, and calculated at the fixed rate of 20s. 8d. for each $5 share and £103 6s. 8d. for each $500 bond, payable as hereunder:

Preferred shares.			Bonds, $500.		
On application	$1 or	4s. 0d.	On application	$125 or	£25 0s. 0d.
On allotment	2 or	8s. 0d.	On allotment	250 or	50 0s. 0d.
On 16th January, 1899	2 or	8s. 8d.	On 16th Jan., 1899	125 or	28 6s. 8d.
Total	5 or	20s. 8d.	Total	500 or	103 6s. 8d.

Installments may be paid up in full on allotment, less discount of 3 per cent per annum.

The interest on the bonds and the dividends on the preferred shares when paid in London will be calculated on the full amount actually paid in sterling as above.

A simultaneous issue will be made in the United States of America, in Canada, and in the United Kingdom.

Trustee for bondholders.

THE GUARANTY TRUST COMPANY OF NEW YORK,
Nassau and Cedar streets, New York, and 33 Lombard street, London.

Directors.

LYMAN R. HOPKINS (The Merrick Thread Company), president.
ALEXANDER KING (The Barstow Thread Company), vice-president.
THEODORE MILTON IVES (The Willimantic Linen Company), treasurer.
ALGERNON DEWHURST,
JOHN EDWARD LAWTON,
WILLIAM MELLAND MANLOVE, Managing directors of the English Sewing Cotton Company, Limited.
LUCIUS ALBERT BARBOUR (The Willimantic Linen Company).
EUGENE STOWELL BOSS (The Willimantic Linen Company).
ROBERT KERR CLARK (The William Clark Company).
EBEN S. DRAPER (The Glasgo Yarn and the Glasgo Thread Company).
ROBERT CORRY KERR (The Kerr Thread Company).
JAMER KERR (R. & J. P. Kerr, Paisley, Scotland).
HERBERT LYMAN (The Hadley Company).
E. MARTIN PHILIPPI, 320 Broadway, New York.
ELISHA A. STILL (The Merrick Thread Company).

Bankers.

LLOYD'S BANK LIMITED, London and branches.
UNION BANK OF MANCHESTER LIMITED, Manchester and branches.
WILLIAMS DEACON AND MANCHESTER AND SALFORD BANK LIMITED, London, Manchester, and branches.
CRAVEN BANK LIMITED, Skipton and branches.
BRITISH LINEN COMPANY BANK, Edinburgh, Glasgow, and branches.
CLYDESDALE BANK LIMITED, Edinburgh, Glasgow, and branches.
COMMERCIAL BANK OF SCOTLAND LIMITED, Edinburgh, Glasgow, and branches.
THE NATIONAL CITY BANK OF NEW YORK.
J. AND W. SELIGMAN & CO., New York.
BANK OF MONTREAL, Montreal and branches.

Brokers.

COATES, SON & CO., 99 Gresham street, London, E. C.
AITKEN, MACKENZIE & CLAPPERTON, 2 West Regent street, Glasgow.
W. A. ARNOLD & SON, Haworth's buildings, Cross street, Manchester.
HANSON, BROOKES & CO., St. James street, Montreal, Canada.

Solicitors.

ADDLESHAW, WARBURTON & CO., 15 Norfolk street, Manchester.
EDMUND FRANCIS HARDING, 20 Broad street, New York.

Auditors.

JONES, CREWDSON & YOUATT, 7 Norfolk street, Manchester, England.

Offices.

243 WASHINGTON STREET, JERSEY CITY, U. S. A.

PROSPECTUS.

This company has been established primarily to unite the undermentioned American manufacturers of spool, crochet, knitting, mending, and other cottons, including in some cases the allied businesses of cotton spinning, doubling, twisting, dyeing, bleaching, polishing, spool making, etc.

With this view, options to purchase the bulk of the common stock or the plants and stocks-in-trade of the under-mentioned companies have been obtained, and it is proposed at once to take up these options.

The companies proposed to be included in the amalgamation are as follows:

Established.	Name and address.	State in which incorporated.
1866	The Barstow Thread Co., Providence, R. I. (including good will and trade-marks of Alexander King & Co. in cotton-thread business).	Rhode Island.
1881	The Glasgo Yarn Mills Co., Glasgo, near Norwich, Conn.	Connecticut.
1883	The Glasgo Thread Co., Worcester, Mass	Massachusetts.
1863	The Hadley Company, Holyoke, Mass	Do.
1881	The Kerr Thread Co., Fall River, Mass	New Jersey.
1865	The Merrick Thread Co., Holyoke, Mass	Massachusetts.
1873	The National Thread Co., Mansfield, Conn	Connecticut.
1884	The New England Thread Co., Pawtucket, R. I. (including good will and trade-marks of J. O. King & Co. in cotton-thread business).	(1)
1834	The E. J. W. Morse Co., Boston, Mass. (including the patent rights, machinery, and good will of the Morse Machinery Co.).	Maine.
1891	The Ruddy Thread Co., Worcester, Mass	Massachusetts.
1865	The Warren Thread Co., Ashland, Mass	Do.
1891	The William Clark Co., Westerly, R. I.	Rhode Island.
1854	The Willimantic Linen Co., Willimantic, Conn	Connecticut.

1 To be incorporated before completion of purchase.

The business of the above companies has for a considerable time been injuriously affected by excessive competition among themselves; and the cutting of rates having, during the past three years, resulted in a very large portion of the trade being done below cost of production, it was realized that a complete consolidation of the various interests was necessary to insure renewed prosperity.

The advice and cooperation of the English Sewing Cotton Company, Limited, having been sought, the chairman and vice-chairman of that company visited the United States and made a careful investigation into all the circumstances of the case. During their stay in America they examined the works of all the different concerns whose stocks are proposed to be acquired by this company, and are of opinion that the plants generally are in a high state of efficiency. At the principal mills they found the machinery to be of the most modern type, and the power, buildings, and appliances throughout to be well adapted for the special work required to be done.

At the same time Messrs. Ernest Crewdson and S. R. Maw, of the firm of Jones, Crewdson & Youatt, accountants, investigated in America the accounts of all the above-mentioned companies, except one whose assets are small and whose liabilities are not being taken over by this company, and except those of the Kerr Thread Company, whose balance sheet and certified abstract of accounts at 31st December, 1897, have been accepted by this company. Mr. Warburton, of the firm of Addleshaw, Warburton & Co., solicitors, accompanied the gentlemen named, and rendered such legal assistance as was from time to time required.

Having satisfied themselves as to the favorable prospects of this company, notwithstanding the fact that the profits of the recent past had been very small owing to the extraordinary cutting of rates referred to above, the directors of the English Sewing Cotton Company, Limited, on behalf of their company, have agreed to take up (at issue price of par) 720,000 shares of the common stock of this company, and to pay all calls thereon as and when made in cash, on condition that the balance of the share capital and bonds be subscribed.

Messrs. J. & P. Coats, Limited, have intimated that they will apply for 100,000 of the preferred shares, and the directors have reserved the same for allotment to them.

Already, with the aid and through the instrumentality of the English Sewing Cotton Company, Limited, important readjustments have taken place, which have established a largely increased income.

The companies above mentioned have, in nearly every case, loan as well as share capital, and it is estimated that the amount which this company will be required to pay for the purchase of the whole of the common and preferred stocks of the above-mentioned companies will be $11,017,630, and that the amount required to pay off the mortgages and other liabilities of such companies taken over by this company (as ascertained by Messrs. Jones, Crewdson & Youatt) will be $4,118,555, making together a total sum of $15,136,185.

The following are the aggregate values of land, buildings, machinery, plant, and effects, stocks-in-trade, and book debts of the various companies above mentioned, as

shown by their respective accounts after making such deductions therefrom as are, in the opinion of the chairman and vice-chairman of the English Sewing Cotton Company, Limited, fair and reasonable, viz:

Land, buildings, machinery, plant, and effects	$7,006,053	or	£1,447,917
Stocks-in-trade	3,447,051	or	712,390
Book debts	1,205,424	or	249,121
	11,658,528	or	2,409,428
The cost of trade-marks, patent rights, good will, payable to the different companies and firms, and promotion, negotiating and completing purchases, and formation expenses will thus be represented by the sum of	3,477,657	or	718,715
Making together the before-mentioned amount of	15,136,185	or	3,128,143

On this basis the capital of $18,000,000 (or £3,720,000) will be sufficient for the purchase of all the shares of common and preferred stocks or plants and stocks in trade, and for the payment of all the mortgages and liabilities of the above-mentioned companies, as ascertained as aforesaid, and after providing ample working capital there will remain a surplus of at least $2,400,000 (or £490,000) available as uncalled capital in reserve.

The present amalgamation has been brought about and the various options of purchase have been obtained by Mr. John R. Dos Passos, of New York, who is reselling to this company at a profit out of which he will pay all the expenses of and incidental to the formation of this company.

In consequence of the options to purchase the shares of the Willimantic Linen Company (which is the largest and most important of the above-mentioned companies) expiring on the 16th of April last, the English Sewing Cotton Company, Limited, advanced $1,250,000 in cash and entered into a definite obligation to purchase the shares in that company, and they are now reselling the same to this company at a profit.

Three of the directors permanently residing in the United States will be the executive committee, and the three managing directors of the English Sewing Cotton Company, Limited, have been appointed the governing committee.

Where practicable, it is intended that at least one partner or one director in each of the undertakings acquired by the company shall continue in responsible management.

The individual experience of those actively engaged in directing the various businesses will thus be combined for the benefit of all; but the management of all the businesses will be under one central control, and the disadvantage of carrying on the various processes of spinning, doubling, finishing, and spooling in each of the mills will be avoided by concentrating in each manufactory the particular work it is best suited to do. This will considerably cheapen production, whilst, on the other hand, very large savings will be effected in the expenses of distribution, which have been enormously heavy in the past, not only on account of each one of the thirteen companies having a separate selling organization, but also through the keenness of their competition one with another, resulting in excessive expenditure in various ways, the free distribution of cabinets and other advertising matter alone amounting to a very large sum.

The directors reserve to themselves the right, if they think fit, to allow any business or shares as to which any unforeseen difficulty may arise to be excluded from the sale, the purchase money being in that case proportionately reduced.

Copies or prints of the certificate of incorporation and by-laws of the company and a printed draft of the proposed trust deed to secure the first mortgage gold bonds can be seen at the offices of the bankers, brokers, and solicitors, and at the offices of the Guaranty Trust Company, Nassau and Cedar streets, New York, and at the offices of the company.

Stock exchange settlements and quotations will be applied for in due course.

Applications for the preferred shares and first mortgage gold bonds should be made on the forms inclosed, and be (with the amount of the deposit) forwarded to any of the bankers of the company.

If no allotment be made the deposit will be returned in full, and where the number or amount allotted is less than that applied for, the balance will be applied towards the payment due on allotment and any access will be returned to the applicant.

Failure to pay any installment when due in respect of the bonds and preferred shares will render the amount previously paid liable to forfeiture.

Copies of the prospectus with forms of application can be obtained at the offices of the company, the bankers, the brokers, the auditors, or the solicitors of the company, or from the English Sewing Cotton Company, Limited, 30 Spring Gardens Manchester.

New York, *November, 1898.*

THE BAKING POWDER COMBINATIONS.

WASHINGTON, D. C., *May 17, 1901.*

TESTIMONY OF MR. A. C. MORRISON,

Secretary and Treasurer, American Baking Powder Association, Townsend Building, New York City.

The commission met at 10.40 a. m., Chairman Kyle presiding. At 12.02 p. m., Mr. A. C. Morrison, secretary and treasurer of the American Baking Powder Association, New York City, was introduced as a witness, and, being duly sworn, testified as follows:

Q. (By Senator KYLE.) Please state your name, address, and business.—A. A. C. Morrison; I am secretary and treasurer of the American Baking Powder Association, located in the Townsend Building, New York City.

THE AMERICAN BAKING POWDER ASSOCIATION—ITS NATURE, MEMBERSHIP, OBJECTS.

Q. (By Mr. JENKS.) Will you tell us what the American Baking Powder Association is?—A. The American Baking Powder Association is an organization like the Merchants' Association, or an association of business men like the Wholesale Druggists' Association, or the Proprietary Medicine Association. It has no control over the product, sales, or prices of its members. It takes no interest whatever in the business features of its members. Its chief occupation and duty is the defense of its members against the encroachments of a single corporation. It was born of attacks made upon it; its cohesive elements is fraternity born of the common contest. It would probably not exist if the attacks against the members of the association were to cease, and it has never developed sufficient fraternity of feeling, although we are closely drawn together, to regulate prices in any way, or even to stop or hinder to any extent the competition of its members. In fact, competition has rather increased than otherwise.

Q. How many members are there in this American Baking Powder Association?—A. The American Baking Powder Association is composed of 64 actual members. It has contributing, directly and indirectly, some 524 manufacturers of baking powders.

Q. What is the nature of the baking powder manufactured by the members of this association as compared with that manufactured by the Royal Baking Powder Company?—A. The members of the American Baking Powder Association without exception use as an ingredient in the production of baking powder exsiccated alum—not the crystal alum with which people are ordinarily familiar, but the dried or burnt exsiccated alum, made almost exclusively for the manufacture of baking powder. The acid ingredient in the powder made by the Royal Baking Powder Company is cream of tartar and tartaric acid. The only difference in the two powders is in the acid ingredient.

Q. The American Baking Powder Association, then, is organized in order to aid its members in their competition with the Royal Baking Powder Company?—A. No; the American Baking Powder Association is organized to defend its members against the hostile attacks, outside of business competition, made by the Royal Baking Powder Company.

Q. Does the American Baking Powder Association include in its membership all of the manufacturers of baking powders outside of the Royal Baking Powder Company?—A. There are 64 actual members; there are 524 manufacturers of baking powder that contribute. The cream of tartar business is practically controlled by the Royal Baking Powder Company. There are 3 or 4, perhaps even 10, outside who are very small indeed; but the Royal Baking Powder Company does about 90 or 95 per cent of the total cream of tartar[1] business, and many of these outside manufacturers purchase their small supplies from the Royal Company. Now, outside of these two classes

[1] See p. 387.

there is but a single company manufacturing phosphate baking powder in comparatively modest quantities, under a patent which protects them to a certain extent against competition.

Q. Are there any manufacturers of alum baking powder that are outside of your association and who are not contributing members to your association.—A. No; we really represent the total alum baking powder interests.

HISTORY OF THE BAKING POWDER INDUSTRY.

Q. Will you kindly develop now, in your own way, the nature of the attack made by the Royal Baking Powder Company upon alum baking powders, and the methods you have employed in furthering the interests of the alum baking-powder manufacturers?—A. In order to do that I will have to give very briefly a history of the baking powder industry, and describe the nature of the powders. Bread has been leavened for untold years. The usual method was the employment of yeast. It was a slow process, and did not meet all modern requirements. After a while it was discovered that cream of tartar and soda, a combination, would throw off the carbonic gas the same as yeast, and so cream of tartar and soda were used. Finally it was discovered that it would be an economy to the housewife and profitable to the manufacturer to combine these elements and make what is now known as baking powder. Thus cream of tartar baking powder was born about 1867 as a business proposition. It originated in the drug store, and grew from mixing cream of tartar and soda in bulk, and ultimately a large and extended trade developed. The originators of the Royal Baking Powder Company were early in the field. After they had progressed to a certain extent a chemist began to investigate other substances that could be combined to produce the same effect, and it was found that exsiccated alum or dried alum was an acid ingredient of double the strength of cream of tartar, considerably less expensive, and as effective to all intents and purposes.

Q. (By Senator KYLE.) What year was that?—A. Nearly 25 years ago. I can not give you the exact date. The price of alum at that time was high, and so was the price of cream of tartar, but they looked at the new product askance, and they finally found that it really meant that they would have competition. Instead of changing their formula and adopting the improvement, as they should have done—perhaps the Royal Company's policy was not as well administered at that time—they began to revile it as an inferior product, as a substitute, as an imitation, as a low commercial enterprise, unworthy of the attention of intelligent people. That was the beginning of the controversy.

NATURE OF CREAM OF TARTAR AND ALUM BAKING POWDERS.

Now, cream of tartar baking powder is made of cream of tartar, bicarbonate of soda, and starch. The starch is not an adulteration. It is put in to keep the elements separate so they will not chemically combine. When the cream of tartar is mixed with dough and the moisture comes in contact with the 2 chemical elements, carbonic gas is eliminated from the soda, bubbles come up through the bread, and the bread rises and is then ready for baking. Alum baking powder is made of exsiccated alum and an equal amount of bicarbonate of soda and starch, and the same effect is produced, except that as a liberator of gas alum is twice as strong as cream of tartar.

When this chemical reaction has progressed to its completion in the raising of bread, a residuum is left in the food. In the case of cream of tartar that residuum is Rochelle salts, or what is commonly known as Seidlitz powder, and there is quite an amount of that left, although never as much as the quantity of cream of tartar originally used. In the case of alum a residuum is left, and that residuum is sulphate of soda and hydrate of alumina. The quantity of hydrate of alumina is very small, and no question has ever been raised as to its wholesomeness, so that, as a matter of fact, there is no alum, nor is there any cream of tartar, left in the bread after the process is completed; consequently, all talk about an attack upon food containing alum is based upon misconception of fact. There is no alum left in the food. Now, the first step of the Royal agents was to make a charge that all these ingredients that are left are injurious to the health. During the more recent attacks our opponents have gone further than before, and they are now publishing libelous matter to the effect that the residuum left in food by alum baking powder is poisonous. The charge has not been based upon any physiological investigations or even cross-examination by a court.

SOURCE OF THE SUPPLY OF CREAM OF TARTAR[1] AND OF ALUM.

Q. (By Mr. FARQUHAR.) Where is this supply of cream of tartar obtained?—A. The cream of tartar is made from wine settlings, from wine lees known as argol. Italy originally produced the largest quantity that came to this country, France next,

[1] See p. 396.

Spain next, and the amount imported was enormous as compared with the amount produced in this country. For instance, the importations of argol for the last 2 years would average 22,000,000 pounds of wine lees, which are manufactured into cream of tartar by companies affiliated with the Royal Baking Powder Company. The home production of argol, as nearly as I can ascertain the figures, has not exceeded half a million pounds; our wine industry has not developed to the extent it has abroad. The supply of argol is limited to the production of wine, because argol is a bi-product. The total production of argol of the world is only about 44,000,000 pounds, of which we take 24,000,000, and our supply in this country is all imported by companies affiliated with the Royal Baking Powder Company.

Q. Where do you get your supply of alum?—A. Alum comes from bauxite, a species of white earth, of aluminous clay, that is found in various parts of this country, and some of it comes from a substance known as cryolite. A modest quantity comes from Greenland, and that is all manufactured in this country.

FORMATION AND CAPITALIZATION OF THE ROYAL BAKING POWDER COMPANY.[1]

The Royal Baking Powder Company was formed as a large combination about March 3, 1899. The companies composing it were the Royal Baking Powder Company, capital $160,000; the Price Baking Powder Company, capital $500,000; the New York Tartar Company, capital $80,000; the Tartar Chemical Company, capital $100,000; and the Cleveland Baking Powder Company, capital $100,000. The total capital combined to form this corporation was thus $940,000. The plants and apparatus and all the implements of the business could probably be reproduced even to-day for that sum. They capitalized, however, for $20,000,000—$10,000,000 preferred stock and $10,000,000 common stock. The preferred stock was marketed and a part of it came to the public—at least the public has been given an opportunity to buy it at any time—but the common stock is reputed to be, and I believe is, very largely held by Mr. Ziegler, who formed the combination.

MR. ZIEGLER ORIGINATES THE "ALUM WAR."

The first method of attack by the Royal Baking Powder Company upon alum was originated by Mr. Ziegler, who is at present an active man in the Royal Baking Powder Company, as he was prior to 1888. At that time he "busted" in court and gave as a proof of his usefulness to that company the fact that he had originated what was commonly known in the Royal Baking Powder Company as the "alum war," an attack upon baking powders which contained alum. He also stated in this trial, which was preliminary to the quarrel which separated the firm, that he had engaged chemists to give opinions on this matter (and one reason I mention that at this time is the fact that this same testimony is found in the "Mason report" here and is now used against us). That was a rather severe attack, and Mr. Hoagland was at first opposed to it, for it did not seem to him to be wisdom or business policy to attack competitors, but he was finally won over by Mr. Ziegler. After an interval of several years they found, too, that the public was being informed that their powders left Rochelle salts in the food, and it was claimed that this was harmful and deleterious to health. Then Mr. Ziegler and Mr. Hoagland came together, and in March, 1899, formed what is known as the Royal Baking Powder trust, and they arranged the attack on alum.

Copy of Brooklyn Daily Eagle submitted to show Mr. Ziegler's connection with the "alum war."

The witness submitted as an exhibit a copy of the Brooklyn Daily Eagle of June 1, 1888, from whose report of the testimony of Mr. Ziegler, in the suit of William Ziegler *v.* Messrs. Hoagland and the Royal Baking Powder Company, the following paragraph is quoted:

"Mr. Ziegler also denied that he had devoted to his private affairs the time which should have been devoted to the affairs of the company. He never, he said, heard any complaint on that score until he was put out of the management of the company. He made the yearly contracts for the materials used. As to advertising, before it was turned toward the newspapers, he had an active share in its management. He attended to many details, and at one time got up a pamphlet. The system of newspaper advertising was adopted after full discussion in the board of trustees. At the said Centennial Exposition he arranged the exhibit and managed it, and was the author of what is called in the company's history 'the alum war,' when the Royal attacked other baking powders in which alum was used. He engaged chemists and had much to do with that contest. Mr. Hoagland was opposed to it, but finally agreed to go into it. Witness declared that he always took an active part in shaping the policy of the company."

[1] See p. 387.

THE MISSOURI LAW AGAINST THE USE OF ALUM.

Witness (continuing.) As soon as the combination was formed, Mr. Ziegler and the ex-president of the company, Mr. J. B. Rose (who had been associated with Mr. Ziegler and Mr. Hoagland at the beginning of the Royal Baking Powder Company), arranged an attack on alum baking powder companies, and the first thing they accomplished was the surreptitious passage through the Missouri legislature of a bill, which on its face was apparently a bill to prevent the use of poisons.[1] The bill stated that it should be unlawful after a certain date to use arsenic, calomel, bismuth, ammonia, or alum in the preparation of foods. The baking powder manufacturers opposed to the Royal didn't recognize the baking powder bill until the law was passed, and 31 small factories were legislated out of business in the state of Missouri. As preliminary to the introduction and passage of this bill, the newspapers had been filled with paid written matter attacking alum and warning the people against the use of unwholesome substances in the preparation of foods, such as baking powder that contained alum. The public, it was said, could always distinguish alum baking powder by the fact that it was cheaper, and should therefore beware of cheap baking powders. They maintained that chemists reported that alum was corrosive and poisonous, and our lawyers informed us that there was no legal redress because of the clever way in which the articles were written. When we applied to the papers and asked them to publish a retraction, they replied that they regretted they could not do so, because the contracts they had with the Royal Baking Powder Company precluded any answer. I have brought about 200 articles published in that way, and I have here proofs that the Royal Company issued them.

The 31 manufacturers of the state of Missouri immediately saw that they either had to fight that law or go out of business. They formed what is known as the Missouri Association, the purpose of which was to bring a test case and see whether that law was constitutional. The alum baking powder manufacturers throughout the country saw the danger; they felt that they were to be legislated out of business; that this corporation, big as it was, could not stand competition; that the Royal's attacks on alum were not as effective as they supposed; and so the alum manufacturers called a meeting in New York City, and on October 28, 1899, the American Baking Powder Association was formed. On the day the association was formed the Georgia legislature introduced the Missouri bill. We would no sooner kill the bill in one place than it would come up somewhere else, and we had a severe tussle to kill it. It was introduced twice in Mississippi. We discovered that the man who introduced it in Mississippi came from the same district in which Mr. Rose, ex-president of the Royal Company, had his winter residence, and when we called his attention to the matter he withdrew the bill. When we were safely out of Mississippi the bill was introduced in the senate; we killed it. We have had experiences like that until now we have killed something like 27 such bills.

Q. In 27 different states?—A. I think 27 such bills in about 16 or 18 different states.

EFFORTS TO SECURE THE PASSAGE IN NEW YORK OF A LAW AGAINST ALUM.

A. (Continuing.) Moreover, the bills have become more ingenious lately, and to give you a typical illustration of the methods of the attacks which the American Baking Powder Association is called upon to meet, I will give an instance occurring in the state of New York last year. The Missouri bill was introduced in the state of New York; a hearing was held; we went before the committee and disclosed the physiological investigation which had stood the test of cross-examination in court. We showed the Missouri court decision which proved our product to be wholesome, and disclosed also the methods of the Royal Baking Powder Company, but the committee unanimously reported against us, and the bill was put upon the calendar of the senate, whereupon we informed the senate of its true character. It died. It was then immediately introduced in the assembly, and we had to follow it clear up to the committee on rules before it died. We thought that the state of New York had been deluged enough, but we found out differently. This year a pure food law was introduced in New York to transfer the administration of pure food legislation from one department to another. It was a clean bill. The bill was put into our hands immediately; it contained the clause, a very proper one for pure food bills, providing that articles containing any substance deleterious to health should be prohibited. We are willing to go into court and prove that such a clause would not prohibit our baking powder, and I wrote the gentleman who introduced that bill that a smilar clause was in all pure food bills, and that it was acceptable to us. I said, thanking him for sending it to me, that we had no interest in it; we wanted good food legislation, etc., and the bill went into the committee where hearing was held. When the bill came out

[1] See pp. 393–94.

of committee it had a little section tacked on; it was the Missouri bill, and before we caught it, it was before the senate on the third reading.

Q. (By Mr. LITCHMAN.) What was that section?—A. A copy of the Missouri bill that legislated us out of business. After taking the bill out of the third reading the senate took a vote on it, and the vote stood 32 to 12 in favor of the bill.

Q. (By Mr. FARQUHAR.) Did the bill go to assembly?—A. The bill was also introduced in the assembly. In Massachusetts we had the same experience.

ALLEGED IDENTITY BETWEEN THE NATIONAL HEALTH SOCIETY[1] AND THE ROYAL COMPANY.

Now, we have never been able to meet the Royal Baking Powder Company face to face. We learned that they were to be before this commission, and we were extremely anxious to meet them face to face. But what we have met heretofore is an organization which is an absolute fraud, and which I openly charge is connected with the Royal Baking Powder Company, which does that company's work, and which is a scandal in the legislative halls of this country. That organization is the National Health Society. I call it by this name out of courtesy. It has no existence. It has a stupendous income and a remarkable energy, but it has no existence. Its work became apparent in the state of Missouri, where it sought to enforce this anti-alum law, and where it sent out pamphlets to grocers, stating the danger of handling alum baking powder because of its unhealthfulness. Subsequently the National Health Society developed a peculiar strength at the time we attempted to repeal the Missouri law at the present session of the legislature. At that time it had for its mouthpiece in Missouri ex-Governor Stone, and his son as its attorney. Governor Stone was governor at the time the Missouri bill was signed, and at this last session he wrote a very eloquent appeal to the legislature not to repeal this meritorious measure, and his article contained a very long and intelligent attack upon alum baking powder—an attack which, by the way, was repeated in Missouri and New York and Massachusetts by gentlemen who declared that they originated the bills, and who were speaking for it with practically the same speech. The National Health Society was literally punched full of holes in the state of Missouri. Their publications were issued from offices that did not exist. They claimed that it contained in its membership representative men and women of the state, like ex-Governor Stone. We have never been able to find a member of that society; we tried to contribute a hundred dollars to the good cause and we could not find a treasurer. We did not know that the National Health Society existed outside of Missouri until we went before the Massachusetts legislature. An eminent attorney and disinterested witnesses were present in favor of the bill then pending in Massachusetts. This eminent attorney disclosed the fact that he had been employed by Mr. D. J. Kelly, who was president of the National Health Society, and that the chemists came at his request, and that they were doing a great good work for the people, and that the representatives of the American Baking Powder Association were sordid in their desire to continue in the nefarious business of poisoning the people; that the representatives of the American Baking Powder Association were speaking interestedly, and had their interests in alum baking powder, whereas they themselves came in the interests of the people. Well, we succeeded in chasing this matter down and proving that Mr. D. J. Kelly, president of the National Health Society, was indirectly connected with the Royal Baking Powder Company. We proved that through an attorney, who was said to be secretary of the society, and there was considerable humiliation on the part of these gentlemen, who were obliged to acknowledge their connection with this health society, organized for the sake of driving the alum people out of business.

Q. (By Mr. FARQUHAR.) Is Mr. D. J. Kelly a graduate of any medical college?—A. He is an advertising man. I don't wish to reflect on Mr. Kelly at all. The worst I can say is that he represents this Royal Baking Powder Company.

Q. Where are the ostensible headquarters of this society?—A. It had absolutely no headquarters and no existence at all until after the exposure in Boston, and when a friend of mine went down to see where Mr. Kelly had his office, he found the painter putting a sign on his office. Nevertheless the National Health Society appeared before the New York legislative committee, and was represented by Mr. L. Boardman, of Tracy, Boardman & Platt, and had in its employ a number of chemists. Mr. Boardman insisted before the evidence came out that he was disinterested, and Professor Chandler announced the same thing. It was not until Mr. Boardman made the remark "We will submit our powders to the same test as these other gentlemen," and until I reminded him that he had neglected to disclose to the committee what powder he represented, that he then said he was on a retainer of Mr. D. J. Kelly, of New York; said that Mr. Kelly had retained Mr. Platt. I have the

[1] See p. 394.

official record here of the stenographer's report, and I will verify my statements if necessary. Well, it is needless to say that after that disclosure of the Royal Baking Powder Company and the disclosure of the National Health Society, it was necessary to have some further facts connecting Mr. Kelly with the National Health Society and the Royal Baking Powder Company, and it is now an official record that Mr. Kelly reports to Mr. Rose, and that he was lobbying in Albany. I also have an affidavit showing his presence in Missouri in his attempt to defeat this repeal bill.

Q. (By Mr. JENKS.) You say it is a matter of official record that Mr. Kelly is connected with the Royal Company. Where does that record appear?—A. It is in the record of the telegraph and the telephone companies. I have an affidavit of the fact that Mr. Kelly was there representing himself as a Mr. Smith, and I have also a communication that discloses his connection with certain matters in Arkansas.[1]

EFFORT TO SECURE THE REPEAL OF THE MISSOURI LAW AGAINST ALUM BAKING POWDER.

Witness (continuing). When we attempted to repeal the Missouri law this year we had back of us all the common sense and local influence. The courts of Missouri had decided that while alum baking powder was wholesome, and while the Royal Baking Powder Company, with all its witnesses confessedly connected with it, had been unable to show a single instance of any person injured by alum baking powder, they would still sustain the law on the ground that the legislature had the power to enact such a law and it was therefore constitutional; and that decision was sustained by the supreme court of Missouri. During the time that this decision was pending we introduced a bill to repeal the Missouri law. We immediately encountered great opposition. It came from the National Health Society and from numerous people and lobbyists who were very much opposed to allowing us to continue what they called our nefarious business. But finally the house of representatives passed the repeal bill by a vote of 109 to 5. The bill then went to the senate and was referred to the committee on criminal jurisprudence, and in that committee it stayed. It could not be pulled out with a tack hammer, and there it stayed until the last day of the session. The house of representatives, which had been under great pressure from

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[1]STATE OF MISSOURI,
City of St. Louis, ss:

Patterson Bain, of lawful age, being duly sworn, upon his oath says that he resides at Ferguson, St. Louis County, Mo., and is engaged in the manufacture of baking powders, in the city of St. Louis, Mo., under the firm name and style of Bain & Chapman Manufacturing Company, at 114 North Main Street.

Affiant says that he had occasion to go to Jefferson City, Mo., frequently during the months of January, February, and March, 1901, during the session of the legislature, for the purpose of looking after the interests of himself and others in a bill then pending before the legislature for the repeal of what was known as the "alum baking powder statute," passed by the legislature in 1899; that it was the common report and understanding that said statute of 1899 had been enacted at the instance and in the interest of the Royal Baking Powder Company, and that said company was actively engaged at the recent session of the legislature in opposing and resisting all effort to repeal said statute; and it was furthermore rumored, and it was a general understanding, that said Royal Baking Powder Company was represented at Jefferson City, in its opposition as aforesaid to the bill of repeal, by one D. J. Kelly, and therefore this affiant, working in the interests of said repeal measure, desired to see and know the aforesaid Kelly, and inquired of various representatives and others in regard to him, and that finally affiant was accidentally thrown into the company of a stranger at Jefferson City, and a conversation was opened up between them in regard to the aforesaid attempt to repeal the alum baking powder law, and said individual disclosed to affiant that he was well posted and informed in regard to the baking powder question and the situation of the same before the legislature at Jefferson City, and also in regard to legislation in other States upon the same subject-matter; and thereupon affiant inquired the name of his companion, and was informed by him that his name was "Smith." In the course of my conversation with the aforesaid "Smith," while at Jefferson City, he stated that his business was that of a newspaper man. I subsequently, to wit, within the last ten (10) days met the same individual at the Planters' House, in the city of St. Louis, Mo., being introduced to him by a Mr. Robinson, who introduced him as Mr. Kelly. Thereupon the said Kelly, alias Smith, laughed and joked about having misrepresented his name to me at Jefferson City, Mo., and he asserted that the Royal Baking Powder Company had nothing to do with the report of the committee on criminal jurisprudence at Jefferson City or with the passage of the anti-alum baking powder law; and he stated that he was an officer of the National Health Society of New York, and that that society proposed to bring prosecutions against the alum baking powder people, but that neither Mr. Ziegler nor the Royal Baking Powder Company had or would have anything to do with such prosecutions, but that they would be conducted entirely by the aforesaid National Health Society. Furthermore, affiant has been informed, believes, and states the fact to be, upon said information and belief, that said Kelly, alias Smith, has recently visited handlers of baking powder in the city of St. Louis and warned them against handling of alum baking powder under a threat of prosecution.

And further affiant saith not.

PATTERSON BAIN.

Subscribed and sworn to before me this 14th day of May, 1901.
My commission expires February 23, 1904.
[SEAL.]

THOS. W. CORLEY,
Notary Public, City of St. Louis, Mo.

citizens who saw the price of baking powder put up, passed resolutions to submit to the senate committee, of which the following is an exact copy:

Resolutions passed by the Missouri house of representatives concerning the repeal of the law against alum.

"Whereas House bill 88 passed this house early in the session, and is still held by the chairman of the senate committee on criminal jurisprudence;

"Whereas for the next two years every family in the state will be compelled to buy high-price trust baking powder, and every merchant handling other than trust goods will be liable to criminal prosecution: Therefore,

"Resolved, That the house of representatives has done all in its power to relieve the people of the state of this monopoly, and that the people must hold the chairman of the senate committee on criminal jurisprudence responsible for the failure of this proposed legislation."

(Witness, continuing.) But in spite of that the committee on criminal jurisprudence would not budge, and after it was voted that no further business should be done and after the canes had been presented and the speeches made, the chairman of the committee on criminal jurisprudence asked unanimous consent to present a report of that committee, a report which he had written and which had not had the consideration of his committee at all. That report was submitted, and it was a most outrageous and libelous and terrible attack upon alum baking powder and all those connected with it. That was immediately certified by the clerk of the senate as being an authentic and accurate report, and has been sent broadcast and has been heralded as the ripe judgment of that committee of the legislature of Missouri, to which has been coupled the assertion that after 2 years of experience they refused to repeal the law.

Copy of report of Missouri Senate committee on Criminal Jurisprudence.

Following is a copy of the report of the committee on criminal jurisprudence referred to by the witness:

"*March 18, 1901.*

"The committee on criminal jurisprudence, to which was referred H. B. No. 88, after having fully examined and considered the same, beg leave to report the bill back to the senate with a recommendation that it do not pass.

"The act of March 11, 1899 (incorporated in the revision of that year as sections 2286–7), provided that it should be unlawful to use arsenic, calomel, bismuth, ammonia, or alum in food and food compounds. The purpose of the bill in question is to repeal so much of this statute as makes it unlawful to use alum in food and food compounds, leaving the prohibition as to the other chemicals to stand in force. In the opinion of this committee that should not be done. If we are to place any faith whatever in the unanimous testimony of all the leading chemists of the Union, including those in the public services of the Government, as well as those employed in all the principal colleges and universities of the country, there can be no doubt that alum is a poison, and that its use in food is hurtful to health and dangerous to life, especially in the case of children and young girls and delicate women. The voluminous and overwhelming testimony which has been given by scientific experts upon this subject is corroborated by the testimony of scores and hundreds of eminent physicians in active practice, including the medical heads of both the Army and Navy of the United States, and including also some 500 physicians of this State, all testifying, with remarkable unanimity, to the same effect, that alum is a poison and that its use as a food ingredient should be prohibited. In addition to that it is a fact that the use of alum in food and compounds that are used in the preparation of food has been long prohibited by law in England, France, Germany, and other European countries, and the laws are rigidly enforced. Against this great mass of concurrent testimony, in which science, experience, and law all combine in condemning alum as a food ingredient, there is scarcely a protest from any source worthy to be treated as an authority. It is true that certain chemists employed by the American (alum) Baking Powder Association or Trust, the General Chemical Company, and the Pennsylvania Salt Company, 2 corporations organized in New Jersey, and the greatest manufacturers of alum in the country, have expressed the opinion that alum when used in making bread loses its poisonous quality by some means in the process of cooking; but this interested testimony is contradicted, and, in the opinion of this committee, overwhelmingly refuted by large numbers of the most famous scientists of the country, who have shown by repeated and conclusive experiments with alum baking powders that a poisonous residuum is left in bread after the baking,

which is extremely harmful to health and dangerous to life. Many serious and fatal ills in given cases have been traced directly to this cause. But here let it be noted that while this measure in favor of alum is being urged by persons interested in the manufacture and sale of alum baking powders, those powders are not the only food products in which this poisonous substance is surreptitiously and fraudulently employed. It is used also in flour, lard, pickles, and other food preparations.

"In the face of all this, why should this most salutary law be repealed? The people of the State are entitled to be protected against frauds which imperil their health and lives, and this committee is unwilling to repeal a law having that end in view merely to oblige those who would make pecuniary profit by imposing upon a confiding public. The claptrap about this bill being opposed by a so-called trust engaged in manufacturing baking powders without the use of alum scarcely deserves to be noticed. It should not matter if it were true. Even if some trust should perchance declare that poison is a bad thing in human food, should we therefore begin at once to feed poison to the people? That would be carrying trust opposition to the point of criminal stupidity. But as a matter of fact no person whatever has appeared before this committee or its members to oppose the passage of this bill. Some protests against its passage, made by citizens of the State, accompanied by the opinions of some 500 Missouri doctors that the present law ought to stand for the protection of the public health, and a single pamphlet containing an argument against the repeal of the law, prepared by an attorney representing the Missouri Health Society, all of which were mailed to the committee or its members, represents everything that has been done, so far as the public is informed, in opposition to the bill. Upon the other hand a numerous and persistent lobby has been in almost constant attendance upon this session of the general assembly urging the passage of this bill, so as to permit the unrestricted use of this poison in the preparation of food products to be sold to the people of the State. That there is a rich and powerful association or trust interested in the manufacture and sale of alum baking powders does not admit of doubt, and that that trust has been back of this movement to repeal this law is almost equally certain. This alum trust or association is made up of 67 alum baking powder manufacturing companies and 2 great chemical companies (the 2 New Jersey corporations above mentioned as engaged in making alum), who employ in their business over $100,000,000 in capital. To this report we append a list of the concerns constituting this trust. The members of this association contribute annually to a legislative fund to be expended in preventing pure food legislation which has for its object the prohibiting of the use of alum as a food adulterant, and it is believed that not less than $100,000 are annually expended in that direction. Whatever lobbying has been done in connection with this bill has been done by those who favor its passage. But, after all, considerations of this kind should have but little weight in determining legislative action. The bill should be considered and disposed of on its merits. Upon that ground solely we place our recommendation that the bill do not pass.

"Your committee also herewith returns S. B. No. 110, relating to the same subject, with a like recommendation."

CONTEST IN ARKANSAS OVER ANTI-ALUM LEGISLATION.

Witness (continuing). In the legislature of the state of Arkansas, after twice defeating the alum bill this year, it was found that the same bill had been introduced into the senate. I telegraphed to the president of the senate, and I asked if a hearing was to be given. He wrote me a letter, of which the following is an exact copy:

Copy of letter from the president of the Arkansas senate.

"State of Arkansas, Senate Chamber,
"33rd General Assembly,
"*Little Rock, Ark., April 15th, 1901.*

"A. C. Morrison,
"*Sec. Am. B'k'ng Powder Assn., New York.*

"Dear Sir: I wired you this afternoon in reply to your telegram of this date. I want to explain more fully than I could by wire. Our session terminates by limitation on May 4th, and all our remaining time will be consumed in considering appropriation bills and other legislation absolutely necessary. The committee work is done, and the committees will not consent to hear argument on any pending bill. I want to assure you that the members of the Arkansas legislature are fully aware of the disreputable methods of the Royal Baking Powder Company and the object it seeks to accomplish. The adjoining state of Missouri has fallen into the snare of the 'pure food' people, and is a helpless victim of the Royal Baking Powder trust. The

object lesson before our eyes is worth something, at least as a warning to look out for the philanthropists of the East who are so deeply concerned about the food we eat. The pending 'pure food bill' can never pass the senate, and will never become a law. This is not a prediction, but an assurance. My position puts it in my power to prevent its passage, and it *shall not pass.*

"Yours, truly, ROBERT J. WILSON,
"*President Senate.*"

(Witness, continuing.) Nevertheless, 5 minutes before the last word was said in the senate of Arkansas the chairman of the committee—which had had no meeting—asked unanimous consent to be allowed to make a report, and he reported a magnificent tirade against us, which stands as the report of the committee and which suggests the idea that Arkansas will follow the magnificent example of Missouri in placing on its books so righteous a law. I have a letter in which the clerk who certified to the accuracy of the report declares that his name was forged to it. I will not vouch for the accuracy of that statement, because it can not be proved in court; but that is the fact. Now, that illustrates in a measure the character of the attack that is made upon alum, against which attacks we protest.

MOTIVE OF THE ROYAL COMPANY'S ATTACK ON ALUM POWDERS IS TO BE FOUND IN CERTAIN ECONOMIC CONDITIONS.

Now, there are certain economic conditions which show the reason for this attack. As I stated in the beginning, it takes twice as much cream of tartar as it does of alum to liberate the gas from bicarbonate of soda. Cream of tartar is a more expensive agent. At the present market price cream of tartar costs, in small quantities, about 21 cents a pound; but to the manufacturer the cost is probably about 14 cents a pound. It takes one-half pound of cream of tartar to each pound of baking powder, and the total cost of manufacturing Royal Baking Powder does not exceed—I am liberal in my estimate—12 cents per pound. The wholesale price which they get is 39 cents per pound, and the difference, of course, is gross profit. The price of cream of tartar from 1882 to the present time has constantly decreased, but I have a price list of the Royal Baking Powder Company which quotes Royal Baking Powder at $4.65 per dozen pounds in 1882, and I have market reports to-day in which it is quoted at exactly the same price. At the time of the separation between the makers of the Royal and the Cleveland and the Price baking powders, the Price company made an attack upon the Royal and advertised an absolutely pure baking powder, called Price's Cream Baking Powder, which was to be sold at 30 cents a pound, saying that it was more efficient than the Royal Baking Powder and better in every respect. The price of that was $5 for 2 dozen pounds—that is, $2.50 a dozen. Immediately after the combination was formed the price of that powder, which had remained stationary for a long time, was raised to $7.25 for 2 dozen pounds, an increase of 45 per cent; so that now these 3 powders—the Cleveland, Royal, and Price—are practically though not nominally upon the same basis. So far there has been no decrease in the price of the powder made by the combination, but rather an increase on one brand of 45 per cent.

Circular Advertising Cream Baking Powder.

The following is a copy of the part of the circular of the Cream Baking Powder referred to by the witness:

"*Cream Baking Powder.*—This is the new cream of tartar baking powder, the absolute purity of which is guaranteed by its makers, the Price Baking Powder Company, of Chicago. For over 40 years this great concern has been manufacturing baking powder. And it has been making the best in the market. Highest honors at the World's Fair, Chicago, 1893, and the California Midwinter Fair, San Francisco, 1894, awarded Dr. Price's Cream Baking Powder, prove this statement. It meets the public demand. But past victories do not suffice. This new brand, 'Cream' Baking Powder is now offered the public. It meets the demand for a powder of highest merit at a moderate price. It embodies perfect purity and strength, insuring the lightest, sweetest, most wholesome food. And more, its use effects the greatest saving.

"*Comparative strength and cost.*

	Carbonic acid gas.	Retail price.
'Cream'	13.20 per cent	30 cents per pound can
Royal	12.74 per cent	45 to 50 cents per pound can
Cleveland	12.80 per cent	45 to 50 cents per pound can

"These tests of Royal and Cleveland are quoted from the Government report made to the Secretary of Agriculture by Dr. H. W. Wiley, chief chemist of the United States Department of Agriculture. This report is repeatedly referred to by Royal Baking Powder Company, in its advertisements as Bulletin 13, Agricultural Department, page 599.

"As 'Cream' Baking Powder has just been put on the market, no test of it, of course, is included in this Government report, but careful analysis by Prof. H. Heidenhain, of Chicago, shows its leavening gas to be 13.20 per cent, making the 'Cream' Baking Powder 3½ per cent stronger than Royal and 3 per cent stronger than the Cleveland.

"Remember this—Cream Baking Powder is a high-class article sold at almost half the usual price. A single trial will convince the most skeptical.

"Think of it—a pound can of pure cream of tartar baking powder for 30 cents. A saving of 15 to 20 cents on every pound you buy. Sold only in pound and half pound cans.

"With 'Cream' Baking Powder at this price the good housewife no longer has excuse for using cream of tartar and soda, as this new baking powder is surely as economical, besides being much more convenient to use and perfectly uniform in its work. The last spoonful in the can will be found as good as the first.

"*How cream of tartar is made.*—Cream of tartar, which enters so largely into the manufacture of 'Cream' Baking Powder, is obtained from the tart wines of France, Germany, Austria, etc. The crude tartar, called argol, is deposited on the sides of the wine casks during the fermentation of the wine. After the wine is drawn off this crystal deposit is removed, dried, and exported to America, where, through an elaborate process, it is refined, producing the snow-white crystals of cream of tartar.

"The cream of tartar refinery controlled by the Price Baking Powder Company is the most complete and extensive in the world."

Price list of Royal Baking Powder, May 20, 1882.

[Royal Baking Powder (sold in cans only).]

Sizes of packages.	Cases containing—	Barrels containing about—	Retail price.	In $50 or barrel lots.	In $150 lots.	In $300 lots.
	Dozen.	*Dozen.*	*Per can.*	*Per dozen.*	*Per dozen.*	*Per dozen.*
10-cent cans	3 and 4	75	$0.10	$0.96	$0.90	$0.84
¼-pound cans	3, 4, and 6	40	.15	1.40	1.35	1.30
6-ounce cans	2	30	.20	1.90	1.85	1.80
½-pound cans	2, 3, and 6	24	.28	2.60	2.50	2.40
12-ounce cans	1	12	.40	3.80	3.70	3.60
1-pound cans	1, 2, and 4	12	.50	4.95	4.80	4.65
2½-pound cans	½	4	1.15	11.78	11.28	10.92–91
3-pound cans	½	3½	1.40	13.75	13.25	12.75
4-pound cans	½	3	1.80	17.76	17.28	16.80
5-pound cans	½	2½	2.25	22.20	21.60	21.00–1.75

"Assorted sizes in the same barrel if desired.

"When packed in barrels a discount of 1 per cent will be allowed.")

Witness (continuing). Alum baking powder, on the other hand, has been selling at a constantly decreasing price until to-day over half the alum baking powder is sold at 10 cents a pound. The alum phosphate baking powder (which is a combination of alum and phosphate, or pure alum and bicarbonate of soda) is sold from 20 cents down to 10 cents per pound. The alum phosphate baking powder is equal in efficiency to the Royal in every respect. The cheaper alum baking powder is double the strength of Royal in efficiency. One spoonful of baking powder to a quart of flour is the direction on the can of alum powder, and two spoonfuls is the direction on the can of cream of tartar powder, and inside the can they have the direction "two or more spoonfuls." You can use almost any quantity, and the more you use the better it is. Now, the Royal Baking Powder Company found that the price of alum baking powder was being so radically reduced as to present a competition they could not meet commercially. They had so reviled alum and so stamped into the public mind the impression that it was harmful that they could not change, and so they find themselves of necessity making a more expensive powder. They find that the people are learning the efficiency and utility and economy of the cheaper powders, and I think it is beyond peradventure that the economic conditions existing will eliminate the Royal Baking Powder Company from existence unless they succeed in getting legislation to prevent the sale of alum baking powder. The motive of their attack is therefore perfectly apparent to all of you.

Now, if these powders are wholesome—and we maintain and I think we can prove that alum and alum-phosphate baking powders have the advantage in wholesomeness—there seems to be no logical reason why the Royal Baking Powder should not be eliminated from the field within a reasonable time by economic conditions which they can not overcome. I think it is inevitable. The people of the South who are now buying an efficient powder at 10 cents a pound—in one case I know of 10 ounces of efficient, excellent, pure powder for 5 cents—why should they ever change and use cream of tartar baking powder? The Royal Baking Powder business in the South, which was quite a factor at one time, is now reduced to such a point that I presume they do not have 3 per cent of the total business in the South. Their trade is largely in the North and West where people are accustomed to paying higher prices.

PROFITS MADE BY THE ROYAL BAKING POWDER COMPANY.

In order to disclose the nature of this company and the reason for its $20,000,000 capitalization, I want to show you its profits. I have here a sworn statement of the profits of the Royal Baking Powder Company from 1882 until 1888. Since that time statistics are not available.

Q. (By Mr. JENKS.) By whom was the statement made?—A. By Mr. Ziegler, of the Royal Baking Powder Company, who was at that time giving testimony on the question.

Q. (By Mr. KENNEDY.) Is he an officer in the company?—A. He is a member of the board of directors. Let me put it a little differently. He owns practically all of the $10,000,000 of common stock of that company. The common stock controls the policy of the company, so I will quote him. This testimony was given by him in 1888 in a suit. The profits ranged from $300,000 a year up to $724,000 in 1888; at which time they were paying $86,000 in salaries to three men, and that on a basis of business done to the amount of $2,400,000, with an advertising expenditure of probably $500,000. You can figure it out yourself. The cost of manufacturing Royal Baking Powder does not exceed 12 cents. The price has been the same all along that it is now, $4.65 per dozen; so that they get 38¾ cents per pound wholesale for their powder, and the difference or 26¾ cents is profit. If they sell 12,000,000 pounds per annum their gross profit is upward of $3,000,000, and out of that they must pay dividends of $1,200,000; they must pay an advertising expenditure of perhaps $600,000; they must pay their salaries, and how much legislative expense I can not say, but I know that it is large. That about covers the situation.

Copy of Market Journal of June 2, 1888, submitted to show Royal Company's profits.

A copy of the Market Journal of New York and Brooklyn, dated June 2, 1888, was submitted by the witness, in which appears an account of the Ziegler-Hoagland suit, from which the following is quoted concerning the profits made by the Royal Baking Powder Company:

"DARK WAYS EXPOSED.

"The trial of the suit of William Ziegler against Joseph C. and Cornelius F. Hoagland for an injunction to restrain the payment of large salaries to them as president and vice-president of the Royal Baking Powder Company was continued yesterday afternoon and this morning in the supreme court before Judge Cullen. The testimony revealed the fact that the company has been paying fabulous dividends. The plaintiff, who drew most of his wealth from the company, alleges that because he would not part with a portion of his holdings Joseph C. Hoagland brought his son, Raymond Hoagland, into the company, and made him a trustee and treasurer, made his brother, Cornelius, vice-president, and then voted them big salaries, ranging from $50,000 to $6,000 a year. Ziegler claims that the Hoaglands were jealous because he was drawing bigger dividends than they were. The company is now composed of the 3 Hoaglands and Ziegler. There are 1,600 shares of stock, of which Ziegler holds 690 and the Hoaglands the balance. The young man, Raymond, was enabled to join by his father, who gave him a few shares of the stock. Ziegler was treasurer and trustee of the company in 1886. His place was taken by Raymond Hoagland. The salaries for 1886 were: President, J. C. Hoagland, $25,000; vice-president, C. N. Hoagland, $10,000; treasurer, Raymond Hoagland, $2,000. In 1887 the president's salary was raised to $50,000, the vice-president's to $30,000, and the treasurer's to $6,000. Ziegler began to kick, and then brought the action. He alleges, on information and belief, that large sums of money have been paid out ostensibly for advertising, but that a portion of it was paid back to the Hoaglands, and that they had used the funds of the company to influence legislation.

"On cross-examination by General Tracy, Ziegler said he could not give the source of his information as to the disposal of the advertising moneys, but could only say he 'heard so.' As to the allegation of money being used to influence legislation at Albany, it was common talk that money had been used there to defeat a measure which would affect the baking powder company. Ziegler's lawyers, William J. Gaynor and William C. De Witt, rested their case after his cross-examination, and Lawyer Bowers, of Platt & Bowers, opened the case for the defense. He gave a history of the concern since the time J. C. Hoagland sold the baking powder over the counter of a drug store at Fort Wayne, Ind., in 1866, and said the company had been built up by the exertion and hard work of the Hoaglands. During the process of organization there was an agreement existing whereby the owners should only receive a salary of $1,800 a year for their services and only on the profits of their stocks. The business had now reached gigantic proportions, and the Hoaglands felt that they were entitled to some compensation for the work they had done. Last year the net profits were over $725,000 in a gross business of over $2,500,000. The salaries, of which Mr. Ziegler complained, aggregrated for that year $86,000, not an exorbitant sum to pay to men whose ability and capacity had built up the concern. Ziegler had been in business with a Mr. Seal, and made a baking powder similar to the Hoaglands'. The Hoaglands began a suit against Ziegler & Seal, and the trouble was compromised by letting Ziegler and Seal into the Royal Baking Powder Company. The Hoaglands furnished most of the money, and the powder was substantially their invention. Dr. Hoagland retired in 1876, selling a portion of his stock, but in 1886 his brother, Cornelius, induced him to return and help in the management. Dr. Hoagland would not agree to give up his leisure unless he was amply paid for it.

"Dr. J. C. Hoagland was called as the first witness this morning. He gave, in round figures, some of the sales and profits during the past years: 1881, gross sales, in round figures, $1,175,000; net profits, $308,000; 1882, sales, $1,487,000; net profits, $390,000; 1883, sales, $1,895,000; profits, $511,000; 1884, sales, $2,119,000; profits, $534,000; 1885, sales, $2,213,900; profits, 564,000; 1886, sales, $2,426,000; profits, $682,000; 1887, sales, $2,657,000; profits, $725,162.45, exclusive of the salaries paid to the Hoaglands. Witness described his duties and the work done by him in years past."

THE ROYAL BAKING POWDER COMPANY'S METHODS OF ADVERTISING.[1]

Q. (By Mr. Jenks.) I will ask you to read one of these newspaper contracts to which you referred.—A. This is a facsimile photographed from one of their own contracts:

Copy of Royal Baking Powder Company's contract for pure reading advertising.

"ORDER SPECIAL.

"Publisher Journal-Tribune, From Royal Baking Powder Co.,
"Knoxville, Tenn. *100 William St., New York, May 24, 1900.*

"Please publish articles as below, each one time, in daily and weekly as pure, straight reading, on top half of fifth page, set in the same size and style of type and with the same style of heading as the pure reading adjoining, leaded or solid to correspond with such pure reading, to be surrounded by pure reading, and without date, mark, or anything to designate them as paid matter; and with the express understanding that they are not at date of publication or afterwards to be designated or classed by any article or advertisement in your paper as advertisements, or as paid for, or as emanating from us. Start with top one on list and publish, in the same order, daily 2 days apart, and weekly 1 week apart. Send marked copy of paper as each article appears, and bill as soon as the order is complete, and in bill please give names of articles and dates of publication.

"752 Price, $21.00 net.
"750x. Royal Baking Powder Co.
"(M.)

"Do not publish except in accordance with directions.
"Drafts will not be accepted for advertising bills.
"Remittance by check on receipt of papers and bill if found correct.
"J. I. R."

Q. (By Mr. Kennedy.) That is an order to do a certain amount of advertising, but it is not a contract until it is done?—A. This is the contract.

Q. (By Mr. Farquhar.) There is nothing wrong about that contract. That is common with every newspaper in the United States.—A. It is common, but there is

[1] See pp. 391-93.

a subtlety about that contract. It says that these articles are to be published as pure reading, but they are not to be known as advertisements, and they are not to be classed as advertisements, and they are to be without any marks that they are advertising, so we can not answer any attacks made upon us.

Q. Will you not find in a great many businesses in this country the same thing, pure reading matter contracts?—A. There are such things as pure reading matter contracts, but they do not contain a clause which will prevent any answer.

Q. Is there not such a thing as a newspaper contract for the editorial page?—A. Newspapers hate to admit that they will accept any monetary consideration for the use of editorial or news columns, and therefore there is a strong prejudice in many newspapers against accepting them, and they are not accepting them; for instance, this was turned down.

Q. (By Mr. Kennedy.) Do you understand that by this contract a paper would be prohibited from allowing you to publish matter in it showing that that article was a paid advertisement?—A. Certainly. Here is a letter to the Knoxville Journal-Tribune from the Royal Baking Powder Company:

Copy of letter from Royal Baking Powder Company to the Knoxville Journal-Tribune.

"Royal Baking Powder Co. (Incorporated 1899.) 100 William street, New York. Advertising department. June 27th, 1900. Journal-Tribune, Knoxville, Tenn.: We have not yet seen papers containing our reading articles, Nos. 752 and 750x, sent you May 24th; nor have we received a reply to our letter of June 11th, in reference to the matter. As we are very anxious to have these reading articles appear, please give this matter your attention. Very respectfully, Royal Baking Powder Co., A. G. B. P."

Copy of reading article No. 750x, referred to in above letter.

"ALUM BAKING POWDERS.

"*Congress acting to suppress their sale.*

"The report of the Senate Committee on Manufactures upon the subject of food adulterations and food frauds has created a sensation in Congress and awakened great interest throughout the country.

"If there could be published a list of the names of all articles of food found by the committee to be adulterated or made from poisonous ingredients, it would be of inestimable value to the public.

"The recommendation of the committee, that the sale of alum baking powders be prohibited by law, will make of special interest the following list of names of baking powders containing alum sold in this vicinity:

"*Baking powders containing alum.*

"Good Luck. Contains alum.
"Manf. by Southern Mfg. Co., Richmond.
"Bon Bon Hotel. Contains alum.
"Manf. by Grant Chemical Co., Chicago.
"Kenton Peacock. Contains alum.
"Manf. by Potter-Parlin Co., Cincinnati.
"Success. Contains alum.
"Manf. by Morehouse Mfg. Co., Savannah, Ga.
"Grant's Improved. Contains alum.
"Manf. by J. C. Grant & Sons Mfg. Co., St. Louis.
"Eddy's Reliable. Contains alum.
"Manf. by Eddy & Eddy, St. Louis.
"Old Dominion. Contains alum.
"Manf. by Old Dominion Mfg. Co., Richmond.
"Crown. Contains alum.
"Manf. by J. P. Dieter Co., Chicago.

"It is unfortunate that many manufacturers of alum baking powders, even some in the above list, falsely state that their powders do not contain alum. It is only right that consumers should have correct information as to the character of every article of food offered to them.

"(Compositor: Set name of manufacturers in smaller type as shown in copy.)

"To the foreman: To be run as pure, straight reading, set in the same size and style of type, and with same style of heading as the pure reading adjoining, leaded or solid, to correspond with such pure reading, to be surrounded by pure reading, and without date, mark, or anything to designate it as paid matter."

Copy of letter from the Bible Reader and Sunday Magazine.

"Richmond, Va., Nov. 10, 1900. Royal Baking Powder Co., 100 William Street, New York City. Gentlemen: We can not accept your further advertisements containing any matter detrimental to alum baking powders.

"Very truly, yours,

"Duplicate letter."

"THE BIBLE READER CO.,
"A. W. CARTER, *Mgr.*

Copy of the Royal Baking Powder Company's answer to above letter.

"Royal Baking Powder Co. (Incorporated 1899.) 100 William Street, New York. December 5, 1900. Advertising department. Bible Reader, Richmond, Va.: We note in yours of the 10th ult. just to the hand of the writer, your statement that you can not accept further advertising from us containing any matter detrimental to alum baking powders.

"Why not? Do you not think it proper that a paper which teaches a better life in all respects should aid the public to discriminate between proper and improper, healthful and poisonous foods? Do you think that it is right that a religious newspaper should aid unscrupulous manufacturers in their commercial schemes to fill their pockets with entire indifference to the public health?

"This company's action in exposing the danger of alum baking powders is purely in the interest of the public, including your readers. So detrimental are alum powders considered that the United States Government has made laws to prohibit the sale of food containing alum in the District of Columbia; that in England, France, and Germany, where private interests are not permitted so largely to subvert public good, the sale of such powders is prohibited by heavy penalties, and that in many of our states the sale of these goods is either altogether prohibited or largely restricted.

"Do you not really think that in aiding your alum baking powder makers in their unscrupulous efforts to suppress the truth as to the dangerous character of the article of food they are offering to the public you are acting otherwise than in the interest of your readers? Very respectfully, Royal Baking Powder Co. L. E."

WITNESS (continuing). I want to call your attention to one statement there: "The United States Government has made laws to prohibit the sale of food containing alum in the District of Columbia." The letter does not say that the Government has prohibited "food prepared with alum baking powder," which is a very different thing, because there is not a particle of alum in the bread after it is baked, and they do not dare to say so. You see how clever that letter is. They are no fools.

Q. (By Mr. KENNEDY.) Have you ever endeavored to have replies inserted in the papers that have these contracts with the Royal Baking Powder Company?—A. Yes.

Q. Have you any replies from the publishers of those papers?—A. No; I have not here. I had such replies, but they are in possession of a gentleman who is using them in Indiana at present. But, to illustrate, I would give you a specific instance. At the time of the Missouri decision, when the judge from the bench declared that there was no evidence before him—and there is the testimony in the case [indicating]—that alum baking powders were in any wise less wholesome than any other baking powders, and then went on to say that the law was valid so far as he knew, the newspapers of Missouri came out with a statement the next day that the alum law was sustained by the court, and therefore it was unlawful to sell alum baking powder and the people were to be congratulated. The articles further said that, as half of the fines collected in this case went to the good roads fund, it was the duty of all good citizens to examine the powders they used, and if they found alum to proceed against the manufacturers of them. That made us very indignant, because the papers did not report the correct finding. So we took the complete decision and offered it to the papers at their highest rates and lowest rates, and they would not take it. We finally went to the post-office and asked if a court decision was libelous matter. The post-office department said no. Then we said, "We shall ask you to take away from these newspapers their privilege"—that is, the privilege of going through the mails as second-class matter—"for not accepting our advertising." A note was written by the postmaster to the papers, and they afterwards accepted our advertisement at their highest rates.

At 1 p. m. the commission took a recess until 2 p. m.

WASHINGTON, D. C., *May 17, 1901.*

The commission met at 2.20 p. m., after recess, Chairman Kyle presiding. Mr. A. C. Morrison again on the stand, and examination resumed as follows:

ROYAL BAKING POWDER COMPANY'S METHODS OF ADVERTISING (CONTINUED).

Q. (By Mr. CLARKE.) Have you a list of newspapers in which these pure reading matter advertisements have appeared?—A. I have about 200 of the actual advertisements.

Q. Do you propose to furnish a list of the newspapers which accepted that contract?—A. I can do so if it is necessary. Speaking broadly, it would include almost a majority of the papers in the United States.

Q. (By Senator KYLE.) Can you incorporate one or two of those reading-matter advertisements as samples?—A. Yes. The following are samples of advertisements published as pure reading matter; I could furnish you with a thousand others:

[From Rochester, N. Y., Herald, May 11, 1901.]

"ALUM IN FOOD—HOW CAN THE DANGER BE AVOIDED?

"The reported cases of poisoning from the use of alum baking powder have awakened the public to the serious danger which menaces the health of the people of this country in the numerous alum powders which are urged upon consumers.

"Generally, alum powders may be known from the price at which they are sold, or from the fact that they are accompanied by a gift, or are disposed of under some scheme. The alum powder costs but a few cents a pound to make, and is often sold at 20 or 25 cents a pound; sometimes as low as 10 cents.

"It is impossible to name all the alum powders in the market, but any baking powder sold at a low price, or advertised as costing much less than the well-known, high-class powders, or accompanied by a present, or disposed of under any scheme, is of this class, detrimental to health, and to be avoided.

"These facts should incline consumers to turn a deaf ear to all importunities to buy the inferior powders. The wise housekeepers will decline in all cases to take them."

[From the Presbyterian, New Orleans, La., October 25, 1900.]

"IS IT MALARIA OR ALUM?

[Popular Science Monthly.]

"Languor, loss of appetite, indigestion, and often feverishness are the common symptoms of a physiological condition termed 'malaria.' All these symptoms may be and frequently are the effect of the use of alum baking powders in food making. There is no question about the poisonous effect of alum upon the system. It obstructs digestion, prostrates the nerves, coagulates and devitalizes the blood. All this has been made clear, thanks to physicians, boards of health, and food commissions. So 'highly injurious to the health of the community' does the eminent head of the University of Pennsylvania, Dr. Barker, consider the alum baking powders, that he says 'their sale should be prohibited by law.'"

WITNESS (continuing). I have certain affidavits relating to one of those advertisements which was investigated. This particular advertisement claimed that a whole family was poisoned, and that a chemist had certified that they were poisoned by the use of alum baking powder. Come to find out, the chemist certified that he did not say so, and the family made affidavit that it was sausage that had poisoned them, and that an agent of the Royal Baking Powder had come to them and offered them money if they would make a statement that it was alum, and they had refused.

Q. It is your claim that by these advertisements they misrepresent your baking powder to the people and that you can not correct that impression in the papers?—A. Yes; I will state it a little more directly than you do, that for a number of years they have published a large number of notices with the idea of so creating a prejudice against alum baking powder that they could eventually crystallize the public sentiment so created into the legislative prohibition of the manufacture of their rivals' goods, and thus drive their competitors out of business—competitors whom they can not meet on commercial principles. As I told you, as an economic fact they can not exist; yet with a prejudice against alum and their expenditure for advertising, their period of existence would be very much prolonged if they could get a condemnation and prohibition of the manufacture of alum baking powder. To illustrate further, after the publication of these statements, they got a Senator of the

United States, by request, to introduce a bill prohibiting the manufacture of alum baking powder, and the minute that bill was introduced they published an advertisement which says "Congress is now considering the absolute prohibition of alum baking powder," and then they use that before legislative bodies in states where things are not as well understood as they are here. That bill was introduced in the Senate by Senater Foster by request, and when he came to hear the whole story he said, "I am glad I introduced that by request; I wash my hands of the whole thing." He was converted right away.

Q. (By Mr. KENNEDY.) Are these advertisements published by all classes of newspapers from the great journals of the cities to the smaller country newspapers?—A. Yes; to illustrate, Senator Mason made a speech before the United States Senate in which he touched upon the subject of baking powder. Senator Pettigrew asked him various questions. The tone of Senator Mason's speech was entirely against alum baking powder, and he cited all the chemists who had testified before him on the subject. Senator Pettigrew's remarks disclosed the fact that a residue of Rochelle salts was left in the bread by the use of Royal Baking Powder, and disclosed also various other facts to the disadvantage of that company. Senator Mason's speech was cut all to pieces, Senator Pettigrew's remarks were left out, and that left the whole speech entirely condemnatory of the alum baking powders, backed up by the professors. I do not think it cost less than $25,000 in cold cash to cut up and publish that speech.

CHEMICAL TESTIMONY CONCERNING ALUM BAKING POWDER.[1]

Q. (By Mr. FARQUHAR.) What is the character of the chemical testimony in this matter?—A. Up to the organization of our association the chemical testimony which had been given was as a rule testimony against the use of alum in food, not against the use of food prepared with alum baking powder; but that testimony against the use of alum in food was so subtly presented that, while it was not libelous, it left the impression that alum in baking powder meant alum in bread, which is not true. In order to contest the validity of the Missouri law we were obliged to conduct physiological experiments. We conducted those physiological experiments and found that alum baking powder left no residuum, that it had no effect upon the system, and was therefore harmless. We presented that testimony in court against their expert testimony. We also asked the witnesses in that court in the state of Missouri, "Are you employed by the state of Missouri?" "No." "By whom?" "The Royal Baking Powder Company." "How much do you get per day?" "So much." "Did you testify before Senator Mason and his committee in the pure food investigation?" "Yes." "How much did you get for that?" "So much." "And from whom?" "The Royal Baking Powder Company." And then the court said in its decision[2] against the contention of those experts, that the physiological fact that 60,000,000 people have been using those preparations for 25 years was not overcome by the theories of the scientists who testified; that while it would be extremely valuable to the cream-of-tartar baking powders to present a single case of mal-nutrition or physiological disorder from alum goods, they had not done so; and the court said it was unable to find in the evidence any just grounds for a ruling that alum baking powders of themselves were in anywise less wholesome than any other variety of baking powders.

Q. Has there been any investigation made by the United States, through the Department of Agriculture or otherwise?—A. The Department of Agriculture investigated it some years ago, and said that some further investigation would be necessary, and as far as the testimony of Professor Mallet, of Virginia, is concerned, an examination of it discloses the fact that it was of little value. Recently Professor Wylie testified before Senator Mason that he regarded alum as he regarded salicylic acid, as harmful and deleterious, but when pressed to the point, Mr. Wylie said that he had no intention of being understood as directly opposing alum baking powder, for specifically he was opposed to all baking powder on general principles.

THE RUMFORD PHOSPHATE POWDER IS MANUFACTURED UNDER PATENT.

Q. (By Mr. KENNEDY.) Is the Rumford Baking Powder an alum powder?—A. The Rumford powder is a pure phosphate baking powder, and I think about the only successful pure phosphate baking powder in the country. It is made of granular phosphate, which is a peculiar kind of phosphate covered by a patent. Phosphate is being made throughout the country, and is used in what are known as alum phosphate baking powders. The manufacturers of phosphate have been infringing, as the Rumford people claim, on the Rumford patents.

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[1] See p. 390.

[2] See Exhibit 2, p. 386.

Q. (By Mr. LITCHMAN.) Will you go a little more fully into the question of patents?—A. There are no patents on the manufacture of cream of tartar or of alum. There is a patent owned by the Rumford chemical works on the manufacture of a certain kind of granular phosphate which is used in baking powder. The trouble with phosphate is that it is sensitive chemically, and when closely brought in touch with bicarbonate of soda it very soon deteriorates and a reaction takes place, so that in six months the powder is gone. Therefore most baking powder is partially mixed with alum, and it will retain its life and gas for an indefinite length of time. The pure phosphate powder made under the Rumford patent differs from the other powders containing phosphate in the fact that the granular character of the phosphate prevents the prolonged close connection with the bicarbonate of soda. Mr. Ziegler, of the Royal Baking Powder Company, within the last two or three months attempted to corral the whole phosphate business, and he got $195,000 worth of the stock of the chemical works and went out there to take charge, and at that time he said that he controlled the Rumford chemical works. They own the only patent.

AMMONIA NO LONGER USED IN BAKING POWDERS.

Q. Is any ammonia used in any baking powder, as far as you know?—A. So far as I am informed ammonia has been abandoned. It was used by the Royal Baking Powder Company until the Ziegler and Rose interests quarreled, and the Price corporation was formed, and the Price people exposed the Royal Baking Powder Company for using this substance, saying that it came from a very disagreeable source, and the Royal people were obliged to abandon it.

Q. It is possible to make baking powder with ammonia as one of the ingredients?—A. A little ammonia can be used in baking powder. I think that bicarbonate of ammonia is used by bakers to some extent to-day, they claiming that it is very volatile and that in the process of baking it is all eliminated; but it is not used in baking powder at all.

INGREDIENTS CONTAINED IN ALUM BAKING POWDERS—THE QUESTION OF ADULTERATION.

Q. (By Mr. KENNEDY.) I am requested to ask this question: Do alum powders contain white earth, besides alum, soda, and starch?—A. I regret to say that in one or two instances, and in one particularly conspicuous instance, an alum powder has been found in which this white earth was used. It was discovered by the Connecticut Experiment Station, and it was so reprehensible an adulteration and so fraudulent upon its face that our association immediately passed resolutions, a copy of which I have here, condemning that practice and declaring that anyone using any deleterious substances in our baking powders was not worthy of membership in the association. The following is a copy of those resolutions:

"*Resolutions of American Baking Powder Association against adulteration of alum powders.*

"Whereas the executive committee of the American Baking Powder Association has learned with regret that certain baking powders are being placed on the market which contain besides alum, or alum and acid phosphate, as acidic element, bicarbonate of soda as boric element, and starch or flour as diluent, adulterants or fillers of a deleterious nature;

"And whereas among these adulterants have been found by chemical analysis magnesia, terra alba, gypsum, ground minerals, and other cheap and reprehensible additions which are used to cheapen the price below the limit possible when a proper diluent or filler is employed, and by the use of which fraud and deception are practiced upon the public;

"And whereas attention has of late been called to these adulterants and their deleterious effects by boards of health, state agricultural experiment stations, the United States Department of Agriculture, and other official bodies, and the public has been warned against them, and they have been condemned for use in the preparation of food both in general and in particular;

"And whereas the healthfulness of food prepared with pure alum baking powder has been established against the most determined and most unscrupulous opposition, by practical experience and by elaborate experimental investigations carried on at great expense by the American Baking Powder Association;

"And whereas food prepared with alum baking powder which has been adulterated with the before-mentioned substances, or with other cheap, worthless, or deleterious substances, can not be recommended in the preparation of food for use by chemists and physicians;

"And whereas the adulteration, as stated in the foregoing, injures the reputation of alum baking powder as a legitimate and healthful article in the preparation of food, and affords enemies of alum baking powder and others, who are openly or surrepti-

tiously endeavoring to malign and injure the industry, means of attack and defamation against which there can be no frank or honorable methods of defense: Therefore be it

"*Resolved*, That the American Baking Powder Association deprecates most emphatically the adulteration of alum baking powder and deplores the existence of a practice which is pernicious to the development of the alum baking powder industry on a basis of worth and efficiency which it is achieving as a result of much strenuous endeavor and great expense.

"*And be it further resolved*, That manufacturers of baking powder whose goods are found on analysis to be adulterated, or sophisticated, or to contain ingredients which leave in the food prepared by their use residues deleterious to the public health, shall not be deemed worthy of membership in the American Baking Powder Association, nor shall the interests of such manufacturers be considered as demanding protection by this association.

"*And be it further resolved*, That this preamble and these resolutions be transmitted to the members of the American Baking Powder Association."

MISSOURI THE ONLY AMERICAN STATE PROHIBITING ALUM BAKING POWDERS.

Q. (By Mr. KENNEDY.) Do I understand you to say that Missouri is the only state where a bill in the interest of this Royal Baking Powder Company became a law?—A. Yes. Bills were introduced in various states compelling manufacturers of baking powder to put the word "alum" on the can—bills which neglected to compel the cream of tartar people to do the same thing; and those, I think, had their origin in the Royal Baking Powder movement. But the only bill of a prohibitive character that passed was in Missouri, and that passed because nobody knew it was a baking powder bill. Alum was included with other articles which were prohibited, and the bill did not look like a baking powder bill until it became operative. I want to say in regard to alum that the entire pickle industry of the United States is dependent on alum for hardening pickles.

HISTORY OF THE ENGLISH LAW PROHIBITING ALUM BAKING POWDERS.[1]

Q. (By Mr. FARQUHAR.) Did you say there were laws in Great Britain against the use of alum baking powders?—A. Yes.

Q. What sort of raiser does the Scotch baker use?—A. I think that most of the bread that is leavened in foreign countries—Germany, France, and England—is leavened by the old yeast process. Baking powder is very little sold in France and Germany, though there is considerable sold in England.

Q. Is the restriction made in Great Britain on the use of alum one existing in the laws for the public health?—A. It is in the pure food laws: The laws of England originally prevented the adulteration of food or food products by the use of alum. It had been the practice among bakers to put real alum itself into bread, with the idea of whitening poor or yellow flour. It improved the appearance of the bread made with inferior flour; and in that respect it was a fraud, and as such should have been suppressed, and we directly condemned its use in that way—not wholly on the ground that even the direct use of alum is unwholesome, for that has yet to be demonstrated—but because it is a fraud upon the people to improve an inferior flour and make it appear better than it is. Under the English law prohibiting the use of alum in food a case was brought against a manufacturer of baking powder who was using alum. Testimony was heard on both sides, and the judge stated that on the evidence before him he had no reason to conclude that alum baking powder was less wholesome than any other baking powder, and that the law did not apply to baking powder, because baking powder was not a food. That decision was quoted over here as an attack on alum, and as showing that England was moving toward prohibiting alum. We explained the matter and showed that the decision considered alum baking powder as wholesome, and that the law did not apply to it at all. After awhile the law of England was amended by adding a certain clause, without any direct reference to baking powder at all. Thus the law now says: "Any food product, and any article used in the preparation of food," which latter clause includes baking powders. Immediately there was a great attack made on alum baking powder in England. It is in the last year, I think, that that attack has been made, and there seems to be no law to protect the poor people of that country. The purpose of that sort of legislation became apparent in Canada when a ruling was announced a year ago that all alum baking powder should be prohibited, the same as under the laws of England, and quoting the laws of England as bearing on the matter. We explained the matter. We found we could reach the internal revenue commissioner. He had been suspicious of his chemists. He was very indignant and reversed the ruling.

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[1] See pp. 395–396.

THE STRUGGLE BETWEEN THE ROYAL BAKING POWDER COMPANY AND THE ALUM COMPANIES.

Q. Are you exporting any of your product?—A. No. All this literature put out by the Royal Company has been sent to foreign countries, so that when we attempt to put our alum baking powder through the custom-house all this testimony of various experts is brought forward to show that alum powder is harmful; and so all these shipments were stopped, and the only baking powder that is now being exported is Royal Baking Powder.

Q. (By Mr. Clarke.) Have you brought any suits against the Royal Baking Powder people for these alleged misrepresentations?—A. We have not done so, for the very good reason that our income is inadequate. You gentlemen all understand that the expense of tackling that organization would be more expensive than we could afford. I will say that it is being seriously considered whether it will be advisable when we are stronger.

Q. Would it be more expensive to fight them in court than in the legislature?—A. Let me say that they have kept us so busy that we have not got to it. We are conducting very elaborate physiological experiments, and undoubtedly this subject will be taken up later. I think that is the remedy. But most of these advertisements are written cleverly by clever attorneys. If I publish, "Beware of the man who distributes samples from door to door. A woman was made sick by using baking powder found on the doorstep." "Two people were recently poisoned by the use of a powder sent by mail," every statement is correct. There is not any libel, although that statement implies that the powder sent by mail was a baking powder.

Q. Would you say you had an equal chance before the people if the newspapers would publish your advertisements exposing their alleged misrepresentations against you?—A. I want to say that the question of an equal chance is already settled. The people are with us, in spite of the Royal company's misrepresentations. The sales of alum baking powder to-day are approximately 100,000,000 pounds per annum, and the sale of Royal Baking Powder probably does not exceed 13,000,000 to 15,000,000 pounds at the outside, and it is not increasing, but rather going the other way. The public never use an alum or alum-phosphate baking powder without sticking to it. They never go back to the expensive powder.

VALUE OF BRANDS OF ALUM LESS BECAUSE THEY CAN NOT BE ADVERTISED—LARGE MANUFACTURERS OF ALUM POWDERS.

Q. (By Mr. Jenks.) Are the names or brands of these alum baking powders just as valuable as the brands of the cream of tartar baking powders?—A. They are not as valuable as they would be if they could be advertised. But the moment an alum baking powder becomes conspicuous the newspapers begin to announce that alum is a bad thing and that this manufacturer's product contains alum, and they make such an outcry against him that he would rather not become conspicuous. The alum people are doing business to-day at practically no profit, because in the making of their product there is competition. The profit on alum baking powder probably does not average over half a cent a pound. The Royal Baking Powder Company makes a profit on every pound of the difference between 12 and 39 cents, which is 27 cents. There has been no reduction in the price of their goods in all these years.

Q. You spoke of the fact that the total amount of alum baking powder sold was very much larger than the total quantity sold by the Royal Baking Powder Company. Are there any popular alum baking powder brands that sell as largely as the Royal Baking Powder?—A. There are 3 or 4 very large manufacturers of alum and alum-phosphate baking powders. One is the Southern Manufacturing Company, of Richmond, Va. I have no absolute means of estimating their sales, but I should say that they sold as much baking powder as is sold by the Royal Baking Powder Company, and that its leavening efficiency is twice as much, because 1 spoonful of their powder does the work of 2 or possibly 3 spoonfuls of the Royal, and the difference in price is interesting. The retail price paid by the consumers of this vast bulk of Good Luck Baking Powder manufactured by this Richmond company is 10 cents per pound. The retail price paid by the consumer for Royal Baking Powder is 50 cents per pound. Now, as it takes from 2 to 3 spoonfuls of Royal Baking Powder to do the work of 1 spoonful of alum powder, the ratio of cost—efficiency considered—is as 10 cents to $1 or $1.50. That is the reason I say that with that commercial fact staring the Royal Baking Powder Company in the face, unless they can get the prohibitive legislation which they are seeking, they are doomed to economic extinction. There are always a lot of people using this expensive powder because they buy expensive things, and who think a cheap thing is too cheap. But the Royal Company can not live against this competition. Either one powder goes out or the

other. It is a fight to the death. We have 60,000,000 people using alum powder to-day, and they are all good healthy people. There is no increase in disease or death.

NO EVIDENCE TO SHOW THAT DISEASE OR DEATH HAS EVER RESULTED FROM THE USE OF ALUM BAKING POWDERS.

Q. (By Mr. FARQUHAR.) In all the representations made by the Royal Baking Powder Company before legislatures or before the National Congress, have they ever proved or brought affidavits which would be receivable in court to prove that any person ever lost his life through the use of alum baking powder?—A. No; they have never done so. In the report of the committee on criminal jurisprudence of the senate of Missouri—the report that was rendered after everything was done, and which was a scandalous piece of business—the committee is supposed to say that many authentic instances of disease and death are traced to the residuum left by alum baking powder in food. Now, that is an absolutely libelous statement. If such evidence existed the Royal Company would have produced it. They did not have it; it does not exist; it can not be found.

They expended about $20,000 to $22,000 to produce the testimony that is in that book [referring to Senate Document No. 303]. They called their most expert chemists. They had as an advisor Mr. McMurtrie, their own chemist, who is president of the American Chemical Society, and with all their ingenuity they failed in the trial in Missouri to name such a case. In the city of Richmond, Va., 98 per cent of the baking powder used is alum baking powder. Every physician in Richmond has signed a paper, which I have here, stating that they never came across a case of functional disease which they could trace to the use of alum baking powder.

The testimony of physicians as given in Senate Document No. 303.

The witness produced a copy of Senate Document No. 303, in which, on page 27, the following occurs:

"In the case of the State of Missouri *v.* Layton, tried before Judge Clark in January, 1900, the following questions were asked of the famous physiologist, Dr. Austin Flint. His answer is also given:

"'In your experience as a physician who has given much attention to the subject of indigestion, have you ever had a patient whose diseased condition of the digestive system, in your opinion, could be attributed either wholly or in part to the use of alum baking powder in the food?

"'Or have you in your experience as a physician ever been led to attribute any functional disorder or diseased condition to the use of alum baking powder in food?

"'In answer to both of the above questions, I reply that I have not.

AUSTIN FLINT.'"

Witness (continuing). These questions were submitted to the physicians of Richmond, Va., where 95 per cent of the baking powder used contains alum as an ingredient. All coincided with the opinion expressed by Dr. Flint in the Missouri case, as shown by the following signatures:

"I coincide in Dr. Flint's opinion.

"O. F. Blankingship, M. D., Wm. H. Parker, M. D., B. L. Hillsman, M. D., Raman D. Garvin, M. D., W. S. Beazley, M. D., C. W. Massia, M. D., J. W. Williams, M. D., H. H. Levy, M. D., Lewis C. Bosher, M. D., Robt. F. Williams, M. D., E. C. Levy, M. D., J. Page Massie, M. D., J. N. Upshur, M. D., Jas. M. Whitfield, M. D., J. S. Wellford, M. D., Francis W. Upshur, M. D., R. Angus Nichols, M. D., Daniel J. Coleman, M. D., D. A. Kuyk, M. D., Chas. R. Robins, M. D., Hunter McGuire, M. D., Stewart McGuire, M. D., Paulas A. Irving, M. D., Hugh M. Taylor, M. D., Virginius Harrison, M. D., Benjamin Harrison, M. D., J. A. White, Landon B. Edwards, J. A. Hodges, William R. Jones, J. William Winfree, D. Meade Mann, M. D., C. A. Blanton, M. D., George Ben Johnston, M. D., Christopher Tompkins, M. D., Jno. P. Davidson, M. D., J. B. McCaw, M. D., Geo. Ross, M. D., B. W. Rawls, M. D., J. P. Harrison, M. D., Edward McCarthy, M. D., Clifton M. Miller, M. D., John R. Wheat, M. D., J. Fulmer Bright, M. D., F. H. Beadles, M. D., Dorsey L. Morris, M. D., J. Richard Williams, M. D., B. L. Taliaferro, M. D., Geo. H. Bright, M. D., J. A. Hillsman, M. D."

LITTLE ADVERTISING IS DONE BY THE ALUM COMPANIES—SALESMEN.

Q. (By Mr. JENKS.) You say that the alum baking powder people do not make on an average over half a cent a pound profit. Can you give any definite idea as to the proportion of cost that could be reckoned as advertising?—A. Oh, the alum baking

powder people do not advertise to any extent. They can not be spoken of as advertising. They are a commercial proposition, and not an advertising one.

Q. What is the method of selling on the part of these alum companies? Do they put traveling men on the road?—A. Yes; some of them have as many as 50. I suppose the industry has 1,500 men traveling all the time, and they go from store to store and offer their goods for sale at competitive prices; and the competition is so great that it is a neck-and-neck struggle as to whether they exist or not.

Q. (By Mr. LITCHMAN.) Was there any reduction in the number of salesmen at the time of the consolidation of the Price, Cleveland, and Royal baking powder companies?—A. I can not state that with any degree of accuracy although I have heard it stated that there was.

Q. (By Mr. JENKS.) Can you furnish to the commission the general articles of organization of your own association—the American Baking Powder Association?—A. With pleasure.

(Testimony closed.)

EXHIBIT 1.

AMERICAN BAKING POWDER ASSOCIATION, TOWNSEND BUILDING, NEW YORK.

Organized October 28, 1899.

[Charles E. Jaques, president; F. J. Ach, vice-president; A. C. Morrison, secretary-treasurer. Executive committee: Charles E. Jaques, Jaques Manufacturing Company, Chicago, Ill.; F. J. Ach, Canby, Ach & Canby, Dayton, Ohio; E. G. Leigh, jr., Southern Manufacturing Company, Richmond, Va.; J. W. Cooper, Griggs, Cooper & Co., St. Paul, Minn.; George C. Rew, Calumet Baking Powder Company, Chicago, Ill.]

The American Baking Powder Association had its origin in the fact that manufacturers using exsiccated alum as a component part of baking powder made and sold by them have been subjected to a species of competition both unfair and unwarranted. The manufacturers of baking powder using cream of tartar have, through the public prints and by legislative enactment, endeavored to create an impression in the public mind that exsiccated alum is unwholesome and deleterious to health, and that its sale should be forbidden. A law prohibiting its manufacture and sale was passed in Missouri, and in this law the word "alum" was coupled with well-known poisons. A manufacturer of baking powder using alum was arrested, and the case is now pending.

A bill precisely similar to the Missouri bill was introduced in the Georgia legislature, and intimations have reached manufacturers that similar bills will be introduced in other States when each legislature convenes. An attempt to enact national legislation prohibiting the manufacture and sale of baking powder containing exsiccated alum is becoming more and more apparent.

The members of the American Baking Powder Association realize the injustice of this attack on the wholesomeness of their product, and feel that the vitality of their business depends upon the sturdy and manful maintenance of the greater usefulness of alum, its greater economy, its higher leavening power, and are determined that its healthfulness shall be vindicated.

The American Baking Powder Association, recognizing the national character of the litigation now being conducted in Missouri, is conducting a series of chemical and physiological experiments, which have already progressed sufficiently to demonstrate the correctness of their belief that the use of exsiccated alum is to be highly commended, and that statements to the contrary are without foundation and merely the expression of a grasping competition.

During the last few months alum powders have been subjected to even more vindictive attacks than hitherto, and manufacturers of baking powder using exsiccated alum are hereby invited to join the association, that they may defend themselves and prevent further damage and the possible destruction of their business.

The application blank inclosed, together with the constitution and by-laws, shows the basis of organization, and further information will be gladly furnished by the secretary-treasurer to all those who will communicate with him.

A. C. MORRISON,
Secretary-Treasurer, 815 Townsend Building, New York City.

Constitution and By-Laws.

Name.—This organization shall be known as the American Baking Powder Association.

Location.—The executive office shall be located in New York City.

Objects.—The American Baking Powder Association shall, by bringing together all business firms using exsiccated alum in the manufacture of baking powder, stimulate a spirit of fraternity and cooperation for mutual advantage and protection. It shall ascertain and defend the rights of its members. It shall encourage the improvement of formulæ, discourage fraud and sophistication in the manufacture, and endeavor to prevent adulteration or the use of harmful ingredients in baking powder. It shall disseminate information regarding the wholesomeness of alum baking powder in such manner and to such extent as the means of the association will warrant. It shall seek to improve trade conditions and the business methods of its members, and shall pursue such other objects as may be to the best interests of the association.

Membership.—Membership shall consist of 3 classes—A and B and C. Active members shall be manufacturers of baking powder. Manufacturers of material shall be invited to all meetings and given the privileges of the floor.

Applications for membership shall go before the executive committee, and with their approval the applicants shall be enrolled as members.

Dues.—The dues for Class A shall be $50 per annum; the dues for Class B shall be $25 per annum; Class C, $10 per annum. Members of Class B shall declare in writing that their gross annual sales of baking powder do not exceed $10,000.

Assessments.—Assessments shall be levied upon the membership in proportion to the amount of exsiccated alum and phosphate used by them. The assessment shall be 12½ cents on each 100 pounds of exsiccated alum and 6¼ cents on each 100 pounds of phosphate purchased.

Officers.—There shall be elected by ballot at each annual meeting an executive committee of five members of the association, who shall elect from among themselves a president and vice-president, and such other officers as they deem necessary. The president or vice-president shall preside at all meetings of the association and of the executive committee. The executive committee shall have the power of appointment to fill all vacancies in the board of officers.

There shall be a secretary-treasurer, who shall be appointed by, and whose compensation shall be fixed by, the executive committee. He shall have the custody of all funds, and shall give a good and acceptable surety company bond in the sum of $10,000 as security for the funds in his possession. He shall collect the annual dues, and shall levy all assessments made by the executive committee upon the membership. He shall execute the wishes and instructions of, and report the result of his work to, the executive committee.

All disbursements must have the approval of the president in writing, and all single expenditures or contracts exceeding $1,000 must have the approval of a majority of the executive committee, which approval may be given at a meeting, by telegram or by mail.

An auditing committee of three disinterested persons or expert accountants shall audit the accounts of the secretary-treasurer, and report to the executive committee as to accuracy and financial condition, at such times as the executive committee shall direct.

Meetings.—The meeting of organization shall be considered the first annual meeting. Subsequent annual meetings shall be held in October of each year, the exact time and place to be fixed at a previous meeting or at the discretion of the executive committee. Meetings may be called by the executive committee, or upon application to the executive committee by five active members of the organization.

Quorum.—Nine members shall constitute a quorum at any regular or special meeting. Three members shall constitute a quorum of the executive committee, and a majority of a quorum shall have executive authority.

Resignations.—A member may resign upon the payment of all arrears of dues or assessments.

Amendments.—Amendments to the constitution and by-laws may be made at any special or annual meeting, provided notice of the amendment shall have been given to the membership by the executive committee at least 10 days before the date of the meeting.

Rules of order.—Cushing's Manual shall be the basis of all parliamentary procedure.

EXHIBIT 2.

[Extract from the decision reached in the supreme court of Missouri, division 2, February 12, 1901.]

State of Missouri *v.* Whitney Layton.

The evidence of defendant tended to show that none of the products left in the food cooked with alum baking powder are at all injurious to the human system.

The evidence shows that the trade in alum baking powders as a trade has given entire satisfaction to the people. Alum baking powders are nearly as standard an article as flour or sugar. They are to be found upon the shelves of every grocery store, not only in Missouri, but in the United States. They were first introduced about 1870. In spite of the fiercest competition and most hostile rivalry upon the part of manufacturers of cream of tartar powders, who, the evidence shows, have used every effort to prejudice the mind of the public by every manner of advertisements and representations, the trade rapidly expanded, until it has now reached vast proportions. The evidence tended to show that alum baking powder sold in the United States last year amounted to not fewer than 120,000,000 pounds, and involved an enormous expenditure in the manufacture and distribution.

The defendant's evidence also tended to show that not only was the particular case of baking powder known as "Layton's health food," for the sale of which he was prosecuted, but also all alum baking powders in general are, and always have been, healthful and wholesome adjuncts in the preparation of human food. The evidence tends to show that no one had ever heard of, or had known of, a single case where the health of a single human being had been injured, or had been supposed to have been injured, by the use of alum baking powder in the preparation of food, and that the trade in alum baking powders as a trade, prior to the passage of this law, was an honest and lawful business in a generally harmless and useful preparation used as an adjunct in the cooking of food. The manufacturers and sellers of both such powders, cream-of-tartar and alum, have been engaged in competition with each other in furnishing to the people from bicarbonate of soda a leavening agent for cooking bread, cake, etc. They differ only in the non-essential manner of freeing the gas. That the trade in cream-of-tartar powders has been practically monopolized by the Royal Baking Powder Company, which controls the cream-of-tartar market.

WASHINGTON, D. C., *May 18, 1901.*

TESTIMONY OF MR. JOHN MORRIS,

Treasurer of the Royal Baking Powder Company.

The commission met at 2.15 p.m., after recess, Chairman Kyle presiding. At that time Mr. John Morris, of New York City, treasurer of the Royal Baking Powder Company, was introduced as a witness, and, being duly sworn, testified as follows:

Q. (By Senator KYLE.) State your name and address and business to the stenographer.—A. My name is John Morris; address, 100 William Street, New York City; business, treasurer of the Royal Baking Powder Company.

Q. (By Mr. JENKS.) When was the present Royal Baking Powder Company organized?—A. February, 1899.

THE EARLY ROYAL BAKING POWDER COMPANY.

Q. Will you give us a brief sketch of the earlier Royal Baking Powder Company, and then describe the way in which the company's organization has been brought into its present form?—A. I was not connected with the earlier Royal Baking Powder Company.

Q. Well, when was that company organized?—A. I think they began business back in the early sixties. Just when they incorporated I do not know.

Q. During the latter part of its existence was it a corporation?—A. Yes.

Q. Was the stock of the corporation on the market at all?—A. No; it was not.

Q. A private corporation entirely?—A. It was a very close corporation.

COMPANIES UNITING TO FORM PRESENT ROYAL BAKING POWDER COMPANY—KINDS OF BAKING POWDER PRODUCED.

Q. What different companies came together to make up the Royal Baking Powder Company in its present form?—A. The Royal Baking Powder Company, the Cleveland Baking Powder Company, the Price Baking Powder Company of Chicago, the Tartar Chemical Company of New York, and the New York Tartar Company of New York. The Tartar Chemical Company, of New York, and the New York Tartar Company do not make baking powder.

Q. Had these three baking powder companies been competitors before this organization?—A. They had all been doing their best to get business; in that sense they were competitors.

Q. What was the nature of the product that they manufactured?—A. They all manufactured cream-of-tartar baking powder.

Q. So that the general nature of the product of these three companies was the same?—A. Yes.

Q. What other kinds of baking powder are there?—A. There are three kinds—cream of tartar, phosphate, and alum.

Q. Can you explain briefly the difference between these kinds of baking powder?—A. The cream-of-tartar powder is made of cream of tartar, and the alum powder is made from alum, and the phosphate powder is made from phosphate.

Q. I suppose some other ingredients besides these are used?—A. Yes, bicarbonate of soda.

Q. That is in all of the different kinds?—A. Yes; that is the alkali.

CONTROL OF THE MANUFACTURE OF CREAM-OF-TARTAR BAKING POWDER.

Q. Does the Royal Baking Powder Company manufacture a large proportion of the cream-of-tartar baking powder that is used in the country?—A. Well, now, that is a pretty hard thing to answer. Our friends, the enemy, have been giving figures here as to their having 90 per cent of the baking powder trade of the country, leaving us the rest. If that is so, I wonder what I am here for. We are not an all-absorbing trust, anyhow.

Q. (By Mr. CLARKE.) The question was as to whether you produce most of the cream-of-tartar baking powder?—A. I have no means of saying whether we do or not; probably we produce a little more than half of the cream-of-tartar baking powder.[1]

Q. (By Mr. JENKS.) What other companies besides those in the Royal Baking Powder Company are manufacturing cream-of-tartar baking powder?—A. Well, just what the organization of those companies is I do not know, but there are probably from 15 to 20 different brands of cream-of-tartar baking powder.

Q. How many different brands of cream-of-tartar baking powder does your company manufacture?—A. We manufacture 3, the Cleveland, the Price, and the Royal.

Q. Will you name some of the other cream-of-tartar brands?—A. There is the Pure, of Albany, N. Y.; the Schilling's, the Trophy, and the Golden Gate, all made in San Francisco; the Manhattan; the Mrs. Lincoln, of Boston; the Boston baking powder; the Club House baking powder, the Monarch baking powder, of Chicago; and the Seafoam, manufactured in New York.

Q. These are all cream-of-tartar baking powders?—A. Yes.

Q. Is each of these different brands manufactured by a separate company, or does one company manufacture several brands?—A. So far as I know I believe that all these brands are the product of distinct, separate, and individual enterprises.

Q. Are those different companies in any way associated with the Royal Baking Powder Company as regards agreements on prices, or anything of that kind?—A. No.

Q. They are entirely independent?—A. Yes.

CAPITALIZATION OF ROYAL BAKING POWDER COMPANY—FORMER CAPITALIZATION OF CONSTITUENT COMPANIES.[2]

Q. What is the capitalization of the Royal Baking Powder Company?—A. Twenty million dollars.

Q. How is that divided between the different kinds of stock?—A. Ten million dollars of preferred and $10,000,000 of common stock.

Q. Are these stocks on the market?—A. The preferred is on the market.

Q. Is it listed on the New York Stock Exchange?—A. No.

Q. Is the common stock listed?—A. The common stock is not on the market. It is held entirely by the people who were originally interested in the company, with possibly about 9 per cent that has been given to their friends, but there has been no general sale of it to the public.

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[1] See p. 364.

[2] See p. 366.

Q. What was the capitalization of each of the separate companies that came together into this Royal Baking Powder Company?—A. I do not remember. I can state that of Price's, because earlier I was connected with the Price Company—that was $500,000. What the capitalization of the others was I do not know, although I think in the case of the Royal it was very small, for in some litigation that occurred in 1885 or 1886, there was as much as $2,250 per share paid for it.

Q. Was the Price Baking Powder Company the largest company entering into the combination?—A. The Royal did the largest business. The Price probably had the largest capitalization.

Q. Do you think that the entire capitalization of these companies amounted to more than a million dollars?—A. Really I do not know, but it was very small compared with the present capitalization; because those individual companies were simply family concerns—they were owned by 3 or 4 people.

Q. How do you explain the fact that a business so large and apparently so profitable as this is, which now supports a capitalization of $20,000,000, before this organization had so small a capitalization, perhaps only $1,000,000?—A. Well, the profits that it paid before were, of course, very large, else, as I said a moment ago, the stock in the litigation would not have commanded $2,250 a share. That was 15 years ago and it is a matter of public record.

Q. (By Mr. Farquhar.) You said that possibly the sum of the stocks of the companies which were consolidated would amount to about $1,000,000. Is it safe to infer that the average annual net earnings of the separate companies for 4 years prior to the consolidation were $1,500,000?—A. I think that is very likely correct.

Q. (By Mr. Jenks.) Would you consider that in bringing these companies together and putting out this very much larger capitalization, there was what could be considered overcapitalization?—A. Well, we regard anything that the business is able to pay a fair profit on as a fair capitalization.

Q. The basis of capitalization, then, is practically the earning power?—A. Yes.

DIVIDENDS—POWERS OF HOLDERS OF PREFERRED STOCK.

Q. Since its reorganization, has the Royal Baking Powder Company been able to pay dividends on the preferred and common stock?—A. It has paid its dividends regularly on the preferred stock in accordance with the contract expressed on the face of the certificate, which is 6 per cent per annum.

Q. (By Mr. A. L. Harris.) Do you pay any dividends on the common stock?—A. That I prefer not to say, as it is a private matter. We have not asked the public to take any of the stock.

Q. (By Mr. Jenks.) The common stock, you say, is entirely held in a few hands?—A. Yes. I am sorry to say that in the reorganization the bankers—they know it all generally—let the preferred stock go out at 76 cents, so that the people who have it at that price are getting very nearly 8 per cent on their money, and in case of certain emergencies, which will appear in our articles of incorporation, they can take control of the company without any litigation of any kind. I think we protect our preferred stockholders better than any other organization I know of.

Q. That means that in case you fail to pay the dividend that is named on the preferred stock, the preferred stockholders may take the control of the business as if they were bondholders?—A. Yes. If the interest on the preferred stock is in default 4 months, then $50,000 of the preferred stock can call a meeting, take immediate possession, elect directors, and go right on with the business.

Q. You can furnish the commission with a copy of the articles of association?—A. Yes. I ordered a copy of them from the secretary of state, and it will be sent here as soon as they can send it.

Q. And you can furnish a copy of the by-laws?—A. Yes.

RETAIL PRICES OF ROYAL COMPANY'S PRODUCT—THE COMPANY'S RELATIONS TO JOBBERS.

Q. How does the quantity of tartar baking powder that is sold in this country compare with the quantity of alum baking powder sold?—A. I have no means of knowing.

Q. What is the usual price at which the Royal Baking Powder sells in the retail trade?—A. Well, sometimes it sells very cheap. Sometimes a cutter puts it down to 38 cents, and then again some other fellow will charge all that the traffic will bear, as the railroads say, 50 or 60 cents.

Q. In selling its goods, does the Royal Baking Powder Company employ jobbers, or does it sell directly to the trade?—A. It sells to the jobbers.

Q. Does it attempt to fix any retail price at which the goods shall be sold?—A. No.

Q. It simply sells at a fixed price and lets the retailer make what he can?—A. We give a card price. Of course I can furnish you with the card price. [Producing paper.] That is the Royal, that is the Cleveland, and that is the Price.

Q. These are the regular prices; do you make any agreements with the jobber for maintaining prices?—A. We sometimes have to. The jobber is sometimes very enterprising, and in order to make business he will make a leader of our goods or somebody else's goods, and he will cut down his profits and then come wailing to us. We try to get rid of that as fast as possible by holding out to jobbers the inducement of a 6 per cent special allowance which we pay quarterly. Before the consolidation that allowance was but 5 per cent. So that we are really getting less for our goods to-day than we did under the independent arrangement.

Q. Then is the arrangement this: You allow jobbers 6 per cent, provided that at the end of this period they certify they have maintained the price?—A. Well, as a matter of fact, we don't get a certificate. But if we find any flagrant cutting of prices we try to bring them around in as easy a manner as possible. We can not afford to do business and antagonize the trade all the time.

Q. There is a general understanding that if they are to get the 6 per cent they must maintain the price?—A. That is what they are expected to do, but they do not always do so, however.

Q. If you find a case where they have been cutting prices, do you refuse to sell them further goods?—A. Well, we threaten not to sell them, but sometimes conditions are such that a threat is as far as we go. We are governed by trade conditions just as much as anybody is generally.

RETAIL PRICES OF ALUM BAKING POWDERS—"PRIZE" POWDERS.

Q. As regards the alum baking powders that you meet in competition, do you know at what price they are sold in the retail trade?—A. They sell all the way from 5 to 50 cents a pound.

Q. Are there alum baking powders selling at 50 cents a pound?—A. Yes; they also sell them with what they call a prize.

Q. Will you explain what that system is?—A. [Producing cans.] This is a sample of prize powder, as we call it. It is known as Golden Rod. It is manufactured by Canby, Ach & Canby, Dayton, Ohio. [Indicating.] This is where the prize is: "This ticket entitles the purchaser to 1 pudding pan." [Indicating.] "This ticket entitles the purchaser to 1 spoon holder." Now these are probably 4-ounce cans of alum baking powder, yet they sell for 15 cents. They were bought in Brookville, Pa.

Q. So your idea is that in this way the makers are getting 50 or 60 cents a pound for baking powder sold with prizes?—A. Yes; under the guise of a scheme. In other words, they are appealing to the cupidity and imposing on the credulity of the people.

Q. And at the same time these alum baking powders sometimes sell as low as 5 cents a pound?—A. Yes.

Q. And they are frequently sold, I suppose, at 10 or 15 cents?—A. Yes; I think, perhaps, the bulk of them sells at 25 cents.

COMPARATIVE MERITS OF ALUM AND CREAM OF TARTAR BAKING POWDERS.

Q. Since your baking powder sells at from 38 cents up, how do you manage to compete with these other baking powders at 25 cents and below? I suppose the same quantity of either powder does substantially the same work as regards the raising of bread, does it not?—A. Well, we claim that we manufacture a better article, and I know we do.

Q. In what way is it better?—A. We have always regarded cream of tartar as being a better acid principle for baking powder. There is nothing to prevent us from going into the alum business if we want to, but we do not desire to do so.

Q. In what way do you mean that it is a better acid principle?—A. Well, that has been argued so much that really it is a matter for these scientific gentlemen to determine. The alum in the one case and the cream of tartar in the other case is the acid principle of the baking powder, and that question has been thrashed over and over to no end, and I think it would be foolish for me to undertake to throw any light on it. Moreover, I can not do so; I am not a chemist myself.

Q. The reason I asked the question is because this matter of the different acid principles evidently has a good deal to do with the possibilities of competing.—A. Yes.

Q. Now, in what way does it enter into your methods of doing business or method of sale?—A. Well, we sell our goods for what they are, a pure cream of tartar powder. People prefer to have them and prefer to pay the price for them.

Q. Do you make the claim that a pound of your baking powder will go further than a pound of the alum baking powder?—A. I think, taking it all around, that our goods maintain their standards better than these other goods, because ours are compounded very much more carefully. And, by the way, I should like to say right here that if the commission intends going to New York City, which I noticed by the papers is the case, we shall be very glad if you would honor us by inspecting our cream of tartar and baking powder factories, and see how our powder is made.

THE QUESTION WHETHER ALUM BAKING POWDERS ARE INJURIOUS.[1]

Q. In urging the sale of your baking powders, do you find it desirable to expose what you consider the weak points of your opponents' goods?—A. Yes; that has been a fight of some 25 or 30 years' standing.

Q. What is the general nature of the charges that you make, if I may use that expression, against your opponents' baking powders?—A. Simply the charges made by scientific gentlemen.

Q. And those are?—A. That alum baking powder is not healthful.

Q. Is it your own opinion that the alum baking powders are really detrimental to the health of the consumers?—A. Certainly it is.

Q. The published opinion of your company is of course——A. The same, certainly; there is no question about that.

Q. Is it claimed that after this alum baking powder is used, alum remains in the bread and biscuit?—A. Yes; it does so remain.

Q. The alum itself is not changed, in accordance with the testimony of your chemical experts, into other ingredients that are harmless?—A. I am afraid that we are going into a scientific line of testimony that I am not able to follow, because you have been in this and I have not. As I say, I am simply a business man and not a chemist.

Q. I am asking what your chemical experts testify or certify in the matter. Are they in the habit of so certifying as to enable you to advertise that after these baking powders have been used, injurious ingredients remain in the food?—A. Yes.

Q. Can you state whether that residuum is itself alum or some changed ingredient?—A. Oh, I take it for granted it is alum.

Q. (By Senator KYLE.) Do your chemists state that that residuum is alum?—A. I think the chemists can best state that for themselves.

Q. I would like to know what your chemists state?—A. I could only speak from information there. I think they do so state.

Q. You think they do?—A. I think you have testimony there, and there is lots of it in that report you have digested of the Senate committee on manufactures.

Q. How long have you been in the baking-powder business?—A. Over 10 years.

Q. And you don't know whether any chemical change takes place in the alum in the process of baking bread?—A. I don't desire to be led into that discussion at all, because I am not competent to carry it on. All I have to say is that the best professional minds in the country declare alum not to be fit to enter into food.

Q. Alum itself, certainly. We want to know whether any chemical change takes place in the alum in the baking of bread. Do you claim that cream of tartar is left in your product after the bread is baked?—A. The chemists claim that after the bread goes into the stomach the hydrochloric acid of the stomach restores the alum, puts the alum in its original state in the stomach. Now, of course, I don't know; I am not a professional chemist. It strikes me that this whole line of questions is very singular. I don't think there is a man who is manufacturing alum baking powder who would be willing to take a teaspoonful of his powder and put it into a glass of water and drink it down. I don't think I should be afraid to take a teaspoonful of ours and put it into a glass of water and drink it. Cream of tartar is a very excellent thing as a matter of fact. I think the doctors use a great deal of it. If a person is sick, there is nothing much better than cream of tartar, provided he can get it pure.

Q. After the baking of bread, what is the residuum when cream of tartar powder is used?—A. Well, again I refer you to the testimony of the chemists.

Q. Would you say that cream of tartar is not changed by the hydrochloric acid of the stomach into something that is very injurious?—A. I don't think that my opinion is worth much in view of what the commission already has on that subject.

Q. You said that your chemists and a great many scientists in general allege that alum baking powder is injurious to the constitution?—A. Yes.

Q. On the other hand, are there any chemists or scientific men that allege that the alum baking powder is not injurious?—A. Oh, I think so; but I think the great mass of testimony of honorable, high-minded men—men who are away up in the profession—is against the alum. I do not think there is any question about that.

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[1] See pp. 365, 379, 383.

Q. We have the testimony—I have read it myself—of a great many scientists and chemists, men of quite eminent standing, who allege that it is not so. What is your opinion as to the weight of the evidence on this matter?—A. (Reading:) "There is a decided preponderance of evidence to the effect that alum baking powder is positively harmful." This statement appears on page 4 of the digest of evidence prepared by your commission.

Q. In accordance with the testimony presented to the commission it seems that more than half of the people who use baking powder use alum baking powder. Do you know of any one's having died from the effect of such use?—A. Well, I do not know as to the statistics. I am disposed to take the statistics that are furnished here with a great deal of allowance. I am not prepared to say how many people use alum baking powder, nor how many use cream of tartar baking powder. I know a great many people who do use cream of tartar and soda, but I do not think I ever heard of a case where alum and soda were used.

ROYAL BAKING POWDER COMPANY'S METHODS OF ADVERTISING—PURE READING ADVERTISEMENTS.[1]

Q. (By Mr. Jenks.) Let us go back for a moment to the question of the method of conducting business. I understand you to say that it is the custom of the Royal Baking Powder Company to advertise widely that alum baking powders are injurious to health?—A. Yes.

Q. Is it customary to have these advertisements inserted as ordinary reading matter, and apparently not issued from the Royal Baking Powder Company itself?—A. It looks to me as though this investigation was being made in the interest of the alum baking powder people, if you will allow me.

Q. The investigation is for the purpose of finding out the methods of a great business corporation.—A. I think the manner in which we conduct our advertising is immaterial to this commission. We have the right to do that the best way we can as business men.

Q. I would like to hear the truth from you, whether for or against the alum powders.—A. If I may be allowed to say so, I think the commission has departed from the duty originally assigned. I don't want to get into a controversy here on that subject, but I thought it was your duty to investigate industrial combinations and the matter of trusts. I did not think it was to enter into the subject of pure food, or alum or cream of tartar baking powders.

Q. You thought it the commission's duty to investigate the methods of doing business of the industrial combinations?—A. Yes.

Q. This is a question of the methods of doing business by the Royal Baking Powder Company, as to whether that company is in the habit of paying for any advertisements as reading matter?—A. We are in the habit of getting, as everybody tries to get, the best we can, and as much as we can, for our money.

Q. The most efficient advertising?—A. Yes.

Q. Is it your judgment that the most efficient advertising often comes in the form of this reading matter that is apparently not advertising?—A. Sometimes it is. All advertising is a very difficult problem. I have never seen the man yet that has been able to fathom it. It is one of the unknown things; you can not tell what the result is. You can only know that you are paying out your money, but you don't know what you are getting back.

METHODS OF ADVERTISING, CONTINUED—THE QUESTION OF EXCLUSIVE ADVERTISING CONTRACTS.

Q. (By Mr. Kennedy.) The opponents of the Royal Company came before the commission the other day, and they stated the methods of advertising on the part of the Royal Baking Powder Company to be such that that company was able to make all sorts of charges against other baking powders, and that the Royal Company had such a contract with the newspapers as precluded the possibility of the others replying in the same way—that is, answering the advertisements. Do you wish the chance to reply to that?—A. I think that the gentlemen on the other side are trying to make it appear that they are anxious to spend money with the newspapers in the matter of advertising. As a matter of fact, I don't think they are. On the other hand I will say that, wherever their influence extends, we find it difficult to get such advertisements as we want. I might name the city of Richmond as an instance of that.

Q. Would you mind indicating the nature of the difficulties that you have in getting satisfactory advertising in the city of Richmond?—A. Well, the papers refused

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[1] See pp. 375–379.

to publish our ads and what we wanted published, and refused our business. That is all there is of it, and then we stayed out.

Q. (By Mr. Clarke.) What was the ground of their refusal?—A. I don't know, unless they think that perhaps we will attack the alum people.

Q. (By Mr. Jenks.) Would they object to publishing a general statement that would call attention to the Royal Baking Powder's being a pure baking powder, providing no attack were made on the alum baking powder?—A. I don't know as to that. What we have tried to do in our contracts is to protect ourselves against vilification. And if this commission could see a sample of the circulars that are sent broadcast throughout the country in little cross-town stores and country roads and out of the way places, they would think that anything the Royal Baking Powder Company had done was thoroughly justified.

Q. Can you not furnish us with copies of those, samples that you can put in as exhibits?—A. I may be able to give you a few.

Q. (By Mr. Clarke.) Will you furnish us with copies of your own contracts made with the newspapers—not necessarily with any names, but the blanks that you use and the conditions on which the newspapers are to have the advertising if they take it at all?—A. I will consult with the other officers of the company on that—I do not know that I can promise it myself.

Q. In offering advertising to newspapers, do you condition it upon the exclusive character of the advertising; that is to say, those papers are not to admit replies to the claims made in your advertising?—A. Now, our advertising manager would be more competent to answer on this point than I am. We have a man who has been charged with our company's advertising for probably 15 years; that is, the old Royal Company's advertising.

Q. You claim you do not know what the nature of the advertising contract is?—A. Oh, in a general way, I know, yes.

Q. Do you know enough about it so that you can intelligently answer my question?—A. I do not know of any such contracts. I think that the commission will probably find in one of the documents that it has had to deal with a full statement of the advertisement that appeared in the New York World, in which the Royal Baking Powder gets "down the banks."

Q. (By Mr. Jenks.) You say that the New York World has published an advertisement that is detrimental to your interests?—A. Yes.

Q. That does not answer the question whether you yourself, in order to protect your interests, make a contract with the papers to exclude the advertisements of your rivals?—A. Only to the extent that they shall not vilify our goods; only to that extent, nothing more.

Q. Not to the extent that they shall not be permitted to protect their own goods?—A. They can advertise their own goods, and they are doing it, too. There are plenty of papers throughout the country publishing advertisements of alum baking powders.

Q. Will you explain a little more carefully what you mean by vilifying your goods?—A. Well, neutralizing the effect of our advertising on which we are spending our money.

Q. Do you mean by attacking the quality of your goods, or by defending the quality of theirs?—A. I mean by attacking the quality of our goods.

Q. Do you have any contracts that prevent them from defending the quality of their own, as long as they do not attack yours?—A. Oh, no; I think the newspaper publishers, as a rule, are a pretty independent set of men, and I do not think they would be bound by any such thing.

Q. (By Mr. Farquhar.) You say that the contention is usually about the quality of the two kinds of goods, the cream of tartar and the alum?—A. Yes.

Q. Is there any contest about price, in the advertising of either side?—A. No; I think not.

Q. Have you ever had a contest in the newspapers about the prices of the two articles?—A. If there has been any statement to that effect, I think the alum baking powder people have very likely said that there was no need of paying 50 cents for the cream of tartar baking powder when the purchaser could buy the alum baking powder for 25 cents.

Q. Have you ever found a publisher that would under any condition exclude the advertising of any other competitor, whoever he might be?—A. No.

Q. You also say, unequivocally, that you have no contracts of such character?—A. I do not know of any publisher who would refuse to publish their advertisements.

Q. Provided that the exclusion was with respect to any other company?—A. Yes.

Q. (By Mr. Kennedy.) I would like to ask whether this purported contract came from the Royal Baking Powder Company.

Copy of purported contract with Knoxville Journal-Tribune.

(Producing paper and reading:) "To the Knoxville Journal-Tribune. Please publish articles as below, each one time, in daily and weekly, as pure straight reading, on top half of fifth page, set in the same size and style of type and with the same style of heading as the pure reading adjoining, leaded or solid to correspond with such pure reading, to be surrounded by pure reading, and without date, mark, or anything to designate them as paid matter; and with the express understanding that they are not at date of publication or afterward to be designated or classed by any article or advertisement in your paper as advertisements, or as paid for, or as emanating from us. Start with top one on list and publish, in same order," etc.

(Handing paper to witness.) Now, that contract purports to be signed by the Royal Baking Powder Company and is dated May 24, 1900.

Q. (By Senator KYLE.) The contract is supposed to be a photographic copy, I believe.—A. Oh, I suppose this is all right. I do not know anything to the contrary. Certainly, if it is a photographic copy, it ought to be. I do not see that we are to get out of that on that account.

Q. (By Mr. KENNEDY.) Well, if you misrepresented the quality of the goods of the other people under such a contract as that, would not they be precluded from answering you in that paper?—A. The only representation that we give of the other people's goods is that they are alum goods and not fit to eat. That we say first, last, and all the time.

Q. (By Senator KYLE.) And then you enter into a contract that they can not answer you on that point?—A. No.

Q. And the chemists can not answer you?—A. No; as I told you, I have more respect for the press of the United States than that. I do not think you could put your hands on a man who would be bound by such a contract.

Q. (By Mr. KENNEDY.) As that one there?—A. No, not as that; such a contract as the chairman referred to.

STATEMENTS MADE CONCERNING BAKING POWDERS BEFORE THE SENATE COMMITTEE ON MANUFACTURES.

Witness (referring to document). This digest was prepared by the Industrial Commission's experts in fulfillment of a resolution passed by the United States Senate requesting the commission to digest and review the evidence taken before the Senate committee on manufactures. Mr. Jaques, who is the president of the so-called American Baking Powder Association, says on page 119, "The 61 members of the association include the large manufacturers; the other 450 or so are manufacturers who make the baking powder as a side line." The latter make the kind of goods that are put out to the public at anywhere from 5 to 50 cents a pound, with the prizes. I think if the letter N had been added to that word "side" so as to make it "snide" it might have expressed it more clearly. I notice also a statement here that wherever we find any opportunity of furthering our own interests, we are very apt to avail ourselves of it; certainly we do, just the same as other people. I also see here a reflection on the Senate's committee on manufactures by a Mr. Dudley, one of the manufacturers of "scheme" goods, in which he says, "The committee took a large amount of evidence which was purely fictitious." I do not know what that means; it struck me as being a remarkable sort of expression to make.

THE ROYAL BAKING POWDER COMPANY'S ATTITUDE TOWARD STATE LEGISLATION AGAINST ALUM BAKING POWDER.[1]

Q. (By Mr. JENKS.) It has been asserted many times that bills have been introduced into legislatures and sometimes passed, forbidding the use of alum in the preparation of food, and that this has been interpreted as forbidding the use of alum baking powders. Do you know whether, as a matter of fact, such laws have been passed?—A. Yes.

Q. Can you recall any states in which such laws have been passed?—A. I know what you are driving at exactly. You mean Missouri.

Q. Yes; that is one that I had in mind.—A. Well, I want to say right here and now, and with all the solemnity that attaches to an oath, that the Royal Baking Powder Company never had knowledge of that law when it was being passed, nor by any act, word, or deed had to do with the passage of it, although the contrary has been charged by the other side. That is not the only foul charge they make. Now, I charge that they have been going to legislatures and introducing these bills and then killing them, and then saying to the world, "Why, all the states have

[1] See pp. 367–372.

rejected these bills against alum," and I name Georgia, Virginia, and Tennessee particularly. We have said nothing. We have attended to our business. We have simply been vilified and abused by these people, who have not anything else to do, it seems to me.

Q. You say that the Royal Baking Powder Company has had no connection whatever with such legislation?—A. Why, it was the greatest surprise to us in the world when we heard of it.

Q. Would you make the same statement with reference to the pure-food bills in other states—bills that include alum and alum baking powder?—A. As I say, I think our friends have been very vigilant, very active in setting up these things and knocking them down. They certainly are trying to fasten it upon us.

Q. You say positively, then, with reference to the other states, as well as with reference to Missouri, that the Royal Baking Powder Company has taken no part in promoting legislation against alum baking powders?—A. Oh, we have tried in all proper ways to get legislation. I think we tried to do so in the state of New York.

Q. In other states also?—A. No, I do not think so.

Q. (By Senator KYLE.) What do you mean by proper legislation?—A. Legislation against the use of alum.

Q. It was not to protect your own goods, then?—A. It was not to protect our own goods particularly, but it was against alum.

Q. You made the statement a moment ago that the alum baking powder people were guilty of introducing these bills into legislatures and killing them?—A. That is our belief.

Q. Do you know it?—A. That is our belief.

Q. You do not know it positively?—A. No; we have no evidence of it at all, but that is our belief.

Q. (By Mr. JENKS.) You have no evidence at all?—A. No; somebody has been doing it; we have not.

Q. (By Senator KYLE.) You have done it in some States?—A. Where we found some bills introduced, we have tried to properly further them.

Q. So the New York bill was not introduced at your instance?—A. No.

Q. I understood you to say a moment ago you tried to protect yourselves and get proper legislation?—A. We do.

Q. I thought you stated you had had the New York bill introduced, or words to that effect?—A. No; I think not.

Q. Or that you had endeavored to secure proper legislation?—A. Well, it may have been. We have been charged and saddled with so many things started by these alum people that we are a little indignant about it.

Q. (By Mr. JENKS.) At any rate, the bill was introduced in the New York legislature, and it tended to restrict the use of the alum baking powder, and you did what you could in proper ways, you say, to further that legislation in New York?—A. Yes; we were encouraged in that by the fact that there are to-day, I believe, on the statute books of Massachusetts, New Hampshire, and New York, either laws or ordinances or regulations of the boards of health, or something of that sort, against using alum in whisky.

Q. (By Senator KYLE.) Do you know who was instrumental in getting those laws passed?—A. Oh, no.

METHODS EMPLOYED BY THE ROYAL COMPANY TO PROMOTE LEGISLATION—THE NATIONAL HEALTH SOCIETY.[1]

Q. (By Mr. JENKS.) You spoke of promoting this legislation against alum baking powders in the state of New York by all proper means. Would you mind stating what general means you did employ in promoting this legislation?—A. We probably had an attorney or representative there.

Q. To present the matter before the committee?—A. Yes; in the ordinary way. I think people who live in Washington ought to be thoroughly familiar with that sort of thing.

Q. Do you recall what attorney was engaged to present your case?—A. No; I do not.

Q. Do you know anything with reference to what has been called the National Health Society that has taken an active part in promoting this legislation in favor of pure food in different states?—A. I think the National Health Society had better answer for itself.

Q. The question was whether you knew anything with reference to the National Health Society?—A. There is such an organization incorporated, I believe.

Q. Where are its headquarters?—A. In New York City.

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[1] See p. 368.

Q. Has the Royal Baking Powder Company been in the habit of contributing to that society?—A. Well, in other words, you mean to ask whether the Royal Baking Powder Company is the Health Society?

Q. If you prefer to put it in that way.—A. Well, this is lining out just exactly as I thought it would.

Q. We are giving you an opportunity to protect yourself fully. Do you care to answer that question? I asked if the Royal Baking Powder Company has been in the habit of contributing to the support of the National Health Society?—A. It may have done so; yes.

Q. Has it done so?—A. I will not say that it has or has not.

Q. Do you know Mr. D. J. Kelly?—A. Yes; I know Mr. Kelly.

Q. What is his position in the National Health Society?—A. I think the National Health Society and Mr. Kelly can answer that better than I can.

Q. Do you know what his position is?—A. I do not think it is fair to interrogate me on a lot of matters that do not pertain to our business at all.

Q. The question is asked because a charge has been made——A. (Interrupting.) I know there have been a great many charges made. We would not do very much else if we were to answer all the charges which have been made against us.

Q. The charge has been made that Mr. D. J. Kelly is practically supported by the Royal Baking Powder Company as the National Health Society.—A. Let the people who make the charge prove it.

Q. We give you an opportunity of denying it.—A. Will you let the people who make the charge prove it? I will say nothing more. Let the people who make the charge prove it. You are not going to prove it by me.

Q. (By Mr. Tompkins.) Do you make appropriations for the purpose of promoting legislation favorable to your baking powder and unfavorable to others?—A. We spend our money advertising our goods and making a market for them.

Q. And in promoting legislation?—A. No.

Q. You said a moment ago that you sent a man to the legislature at Albany; did you pay for that?—A. Well, in a matter of that kind; but when you speak of an appropriation I understand that to be a different thing. Naturally, when we employ a man we pay him.

Q. Do you employ men frequently?—A. No, no; the whole thing has been a source of annoyance to us these last two years, a very great source of annoyance.

Q. (By Senator Kyle.) Does the National Health Society make appropriations along that line?—A. That the National Health Society will have to answer for itself.

Q. (By Mr. Farquhar.) How long has this National Health Society been in existence?—A. I do not know.

Q. How long since your attention was called to it?—A. Oh, I think you probably saw reference to it in some of the literature that certain of our opponents have put out.

Q. Do you know whether it has anything to do with a committee of the National Pharmaceutical Association formed to aid pure-food legislation in the various states?—A. I do not know.

Q. (By Senator Kyle.) Are you treasurer of the Royal Company?—A. Yes.

Q. And you do not know, you said, whether the Royal Baking Powder Company makes contributions to the National Health Society?—A. How did I answer that before?

Q. I think you answered before that you would not say that they had, nor would you say that they had not.—A. Well, I will let that answer stand.

Q. (By Mr. Kennedy.) I would like to ask if there is any bona fide National Health Society, and if you can give us a list of the officers of the society?—A. With regard to that, I think I have given all the information that I have.

Q. You did not name the officers?—A. No.

Q. (By Mr. Jenks.) Can you give us the address, so that we can send to them and get the information? Would New York City reach them?—A. Union Square, New York City, would, I think.

THE LAW OF ENGLAND PROHIBITS THE USE OF ALUM BAKING POWDERS.[1]

Q. (By Senator Kyle.) Have you a further statement to make on your own account, relating to this subject, for the benefit of the commission?—A. Well, I would like to say this: There is an English law against the use of alum. As first passed, the law prohibiting the sale of injurious food products was held in the Norfolk, England, alum baking powder case to be not applicable to alum baking powder, but the law was amended to meet this decision and prohibit the sale of alum baking powders. Any person who will read the files of the London Grocer, as they are issued

[1] See page 381.

from week to week, will find prosecutions right along against the alum makers and sellers.

Q. Are there similar laws elsewhere in Europe?—A. I believe it has been testified so. But I can speak with certainty in regard to England, because I have seen these publications in the London Grocer.

Q. Your information with reference to the other countries is not definite?—A. No.

Q. (By Mr. CLARKE.) Do you know whether or not they have a National Health Society in England?—A. No; I do not.

THE VALUE OF TRADE-MARKS AS ASSETS.

Q. (By Mr. JENKS.) Do you consider the names of your various brands of baking powders, such as the "Royal," the "Price," and so on, to be in themselves valuable assets?—A. Oh, yes. It has taken years and years to build up those trade-marks. I think the general public has a very poor appreciation or understanding of the value of trade-marks.

Q. It is your judgment that the trade-marks that you use in your business form a really valuable part of the assets for capitalization?—A. Why, undoubtedly. It has taken over 40 years to build them up.

PRODUCTION AND IMPORTATION OF CREAM OF TARTAR.[1]

Q. Did you state that bicarbonate of soda and cream of tartar were the essential ingredients of your baking powder?—A. Yes.

Q. Where do you get the cream of tartar? Is it imported?—A. Yes; the argol from which it is made comes from Europe. The European output is about 70,000,000 pounds a year.

Q. How much is imported?—A. About 40 per cent of that is imported.

Q. Can you tell about what proportion of the amount imported is used by the Royal Baking Powder Company?—A. Understand, that does not all go into baking powder, because we sell cream of tartar to our competitors in the cream of tartar business. I should think that perhaps about 35 per cent of the cream of tartar that the Tartar Chemical Company makes is sold to concerns that manufacture cream of tartar baking powder.

Q. These concerns are outside of your own company?—A. Yes.

COMPARATIVE VALUE OF MATERIALS ENTERING INTO ALUM AND CREAM OF TARTAR BAKING POWDERS.

A. (Continuing.) I might just add that the relative value of the materials that enter into the alum baking powder as compared with the value of the materials that enter into the cream of tartar baking powders are about as 1 is to 6; so that when the Royal baking powder sells at 50 cents the other is not worth to exceed 8. When Royal baking powder sells, as it does more frequently, for 42 cents, the other should sell for 7.

Q. (By Mr. CLARKE.) Is it your claim that because the material is more expensive it is better?—A. Well, naturally. If it were not better we would not pay the money for it, that is all. That is a very natural commercial conclusion.

Q. Is not wheat flour better than cream of tartar?—A. You would not pay $15 for a coat if you could get a $10 coat just as good.

Q. Wheat flour is cheaper, is it not?—A. I do not know.

Q. Do you recall what the current market price of cream of tartar is?—A. I think about 20 cents or 22 cents.

Q. Do you say you do not know whether wheat flour is cheaper than that?—A. I will say, I have not figured on that.

Q. Would it be your contention that if flour is cheaper it is deleterious?—A. No; I do not think so. I do not think you can very well compare the price of one article with the price of another, and say that the cheaper is deleterious. A man gets a glass of lager for 5 cents. He may be able to get a glass of whisky for 15 cents. A connoisseur might, perhaps, pay a dollar for a pony of brandy. I assume that the man that pays a dollar for a pony of brandy is getting a better article.

Q. Then, what is the point of this statement of the relative cost of the material? Do you make that to justify the higher price for your article, or do you make it——A. (Interrupting.) Simply on the broad ground that ours is a better article and worth the money; that is all.

Q. You do not make it then as a reflection on the other article simply because the other is cheap?—A. Oh, no; except we have been denounced as demanding an

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[1] See pp. 365-366.

extravagant price, while they claim to be good friends of the public, and to give them something for nothing; that is all.

A. Do any of your advertisements speak of the comparative cheapness of the alum baking powders with a view of creating an impression that because they are cheap they are injurious?—A. Not as to the relative values. The alum powders run from 5 to 50 cents a pound, and while it is pretty hard to tell all the reasons, I suppose some of the goods are not manufactured with the same care as others.

Q. Do you admit that the cheaper an article is, the better it is for the people, provided it is all right otherwise?—A. Certainly I do.

(Testimony closed.)

EXHIBIT I.—*Certificate of Incorporation of Royal Baking Powder Company.*

We, the undersigned, do hereby associate ourselves into a corporation under and by virtue of the provisions of an act of the legislature of the State of New Jersey, entitled "An act concerning corporations (Revision of 1896)," approved April 21, 1896, and the several supplements thereto and acts amendatory thereof, for the purposes hereinafter mentioned, and we do hereby assume to and for said corporation all the rights, powers, and privileges granted to and conferred upon corporations by the laws of the State of New Jersey, and do hereby certify and set forth as follows:

I. The name of the corporation is ROYAL BAKING POWDER COMPANY.

II. The location of the principal office in the State is 324 Warren Street, Jersey City, Hudson County, New Jersey, and the name of the agent therein and in charge thereof upon whom process against this corporation may be served is Samuel Limerick, junior.

III. The objects for which the corporation is formed are manufacturing, buying, selling, importing, exporting, refining, and dealing in baking powders, argols, cream of tartar, tartaric acid, and all other chemicals which are or may be component parts of baking powder or may be conveniently produced or dealt in in connection therewith, and generally to carry on any manufacturing or other business which can conveniently be carried on in conjunction with any of the matters aforesaid, or in or upon the premises of the company; also to purchase, acquire, hold, and dispose of patent rights, letters patent, processes, devices, inventions, trade-marks, experience, formulas, good will, and other rights; and also to purchase, hold, sell, assign, transfer, mortgage, pledge, and otherwise dispose of the shares of the capital stock, or of any bonds, securities, or evidences of indebtedness created by any other corporation or corporations of the State of New Jersey or of any other State, and while owner of such stock to exercise all the rights, powers, and privileges of ownership, including the right to vote thereon; and also to do and transact all acts, business, and things incident to or relating to or convenient in carrying out its business, as aforesaid.

Said corporation may conduct business in other States or in foreign countries, and have one or more offices out of the State of New Jersey, and may hold, purchase, mortgage, and convey real and personal property out of the State of New Jersey.

The directors may hold their meetings and have an office and keep the books of the corporation (except the stock and transfer books) outside of the State of New Jersey.

IV. The amount of the total authorized capital stock of the corporation shall be twenty million dollars ($20,000,000). The number of shares into which the same is divided is two hundred thousand, and the par value of each share is one hundred dollars. The amount of capital stock with which it will commence business is one thousand dollars.

The capital stock shall be of two classes; preferred stock and common stock. Ten million dollars of the capital stock shall be preferred stock, but at no time shall the total amount of the preferred stock exceed two-thirds of the actual capital paid in cash or property.

The power to fix the amount to be reserved as a working capital for the corporation is hereby given to the directors, and the rights to dividends from profits shall be subject thereto, but no such working capital shall be accumulated until all dividends due on the preferred stock shall be paid.

The preferred stock shall receive dividends at the rate of and not exceeding six per centum per annum. Such dividends shall be payable quarter yearly on the first day of July, October, January, and April, and the first dividend representing the four amounts beginning March first, eighteen hundred and ninety-nine, shall be for two per cent and shall be payable July first, eighteen hundred and ninety-nine. Such dividends shall be cumulative, and if the profits in any one year declarable as dividends shall not be sufficient to pay such dividends for such year upon said preferred stock, the same shall be made up from profits of a later period until the full amount

of dividends herein specified, without interest, shall have been paid upon the preferred stock, before any dividend is declared on the common stock. The amount of such annual dividend on the preferred stock shall in each year be reserved for such payment before any dividend shall be set apart or paid on the common stock.

The balance of the net profits of the company declarable as dividends shall be distributed among the holders of the common stock. The face value of the preferred stock and accrued and unpaid dividends shall, in the event of the dissolution of the company and division of its assets, be paid in full before any sum whatever shall be paid on account of the common stock, and thereafter the common stock shall be entitled to the entire assets remaining.

So long as the dividends reserved on said preferred stock shall be paid as and when the same are by this instrument provided to be paid, the holders of the preferred stock shall have no voting power on any question. In the event, however, that any dividend due on the preferred stock shall not be paid when payable hereunder, and shall remain so unpaid for a period of four months, then a special meeting of the stockholders of the company shall be called at the request of any preferred stockholder or stockholders owning preferred stock of the par value of fifty thousand dollars ($50,000), which meeting shall be convened on ten days' notice by mailing a copy of such notice to each preferred stockholder of record at the time such notice is mailed to his address as the same appears at the time upon the preferred-stock ledger hereinbelow mentioned; and at such meeting, if said dividend still remains unpaid, the holders of a majority of the preferred stock present or represented at said meeting shall be entitled to elect a new board of directors of the company, and the voting power theretofore vested exclusively in the common stock of the company shall for the time being wholly cease.

The election of the new board of directors in the manner hereinabove specified shall terminate the term of office of each member of the existing board of directors elected by the common stockholders. Thereafter and until all arrearages of dividends shall have been paid, or accumulated as hereinafter provided, upon the preferred stock, the voting power theretofore vested exclusively in the common stock shall vest and remain in the holders of the preferred stock. One month after the payment of all defaulted dividends upon the preferred stock or the accumulation of net earnings equal to said defaulted dividends, the voting power then vested exclusively in the preferred stock shall cease, and such exclusive voting power shall be restored to the holders of the common stock, and a new board of directors may be elected by such exclusive vote of the common stock at a meeting duly called and held as above provided, concerning any meeting following a default in the payment of dividends on the preferred stock, save only that notice thereof shall be given alone to the holders of the common stock, and, such meeting being held and such new board being elected, the term of office of each director elected by the vote of the preferred stock shall at once expire.

At the end of each fiscal year the company shall cause a full audit of its accounts to be made by some certified public accountant, which audit shall at all times be open to the inspection of all holders of the preferred stock of the company.

During any period of time that the corporation shall be managed by a board of directors elected by the preferred-stock holders, the books of account showing the business and earnings of the said corporation shall be open at all reasonable times, not oftener than once in 3 months, to the inspection and examination of the owners of a majority of the common stock.

The by-laws of the corporation shall contain provisions consistent with the foregoing, and the portion of said by-laws so providing shall not be subject to amendment or change save by the assent in writing of at least two-thirds of all the outstanding shares of the preferred stock and also by the vote of at least two-thirds of all outstanding shares of the common stock of the company.

A preferred-stock ledger shall be kept by the company at its principal office, setting forth the names and post-office addresses of the preferred stockholders, respectively, and the number of shares of preferred stock held by each, and each transfer of preferred stock of the company, and like information as to each transferee shall from time to time be entered upon such ledger, which shall be at all reasonable times open to the inspection of any owner of said preferred stock.

No mortgage shall be created or assumed by the company, nor shall any class of its capital stock now or hereafter existing, other than its common stock, be increased, nor shall said company be merged into or consolidated with any other company unless (in the event that the company shall at the time be managed by a board of directors elected by the holders of the common stock) there shall be first obtained the consent in writing of the holders of seventy-five per cent of the preferred stock outstanding at the time, or unless (in the event that at such time the company shall be managed by a board of directors elected by the holders of the preferred stock)

the like consent to be first obtained of the holders of seventy-five per cent of the common stock.

The foregoing provisions shall be construed as limitations upon the voting power of the holders of the capital stock of the company (no voting power whatever on any question being vested in the holders of the preferred stock, except as hereinabove provided), any future law of the State of New Jersey in anywise to the contrary notwithstanding, said provisions having been agreed upon between the parties to these presents as constituting conditions precedent of the organization of said company.

V. The names and post-office addresses of the incorporators and the number of shares subscribed for by each are as follows:

Name.	P. O. address.	No. of shares subscribed for.
James C. Young	55 Montgomery st., Jersey City, Hudson Co., N. J	2 shares.
L. Bertrand Smith	48 Macdonough st., borough of Brooklyn, city of New York, N. Y.	2 shares.
Henry C. Demorest	Yonkers, Westchester County, New York	2 shares.
Samuel B. Lawrence	13 Astor Place, borough of Manhattan, city of New York, N. Y.	2 shares.
Sumner W. White	550 Park ave., borough of Manhattan, city of New York	2 shares.
		10 shares.

The period for the duration of the company shall be unlimited.

In witness whereof we have hereunto set our hands and seals, respectively, the twenty-eighth day of February, eighteen hundred and ninety-nine.

JAS. C. YOUNG. [L. S.]
L. BERTRAND SMITH. [L. S.]
HENRY C. DEMOREST. [L. S.]
SAMUEL B. LAWRENCE. [L. S.]
SUMNER W. WHITE. [L. S.]

Signed, sealed, and delivered in the presence of—
CHAS. EDGAR MILLS.

STATE OF NEW YORK, *County of New York, ss:*

Be it remembered that on this twenty-eighth day of February, eighteen hundred and ninety-nine, before me, the subscriber, a commissioner of deeds of the State of New Jersey, personally appeared James C. Young, L. Bertrand Smith, Henry C. Demorest, Samuel B. Lawrence, and Sumner W. White, who I am satisfied are the persons named in and who executed the foregoing certificate, and I having first made known to them the contents thereof, they did each acknowledge that they signed, sealed, and delivered the same as their voluntary act and deed.

Given under my hand and official seal this 28th day of February, 1899.

[L. S.] CHARLES EDGAR MILLS,
Commissioner of Deeds for the State of New Jersey in New York,
115 Broadway, N. Y. City.

[10c. internal-revenue stamp, cancelled.]

STATE OF NEW YORK, *County of New York, ss:*

Be it remembered that on this twenty-eighth day of February, eighteen hundred and ninety-nine, before me, the subscriber, a notary public in and for the city and county of New York, personally appeared James C. Young, L. Bertrand Smith, Henry C. Demorest, Samuel B. Lawrence, and Sumner W. White, who I am satisfied are the persons named in and who executed the foregoing certificate, and I having first made known to them the contents thereof, they did each acknowledge that they signed, sealed, and delivered the same as their voluntary act and deed.

C. P. NORTHROP,
Notary Public, New York Co.

[10c. internal-revenue stamp, cancelled.]

STATE OF NEW YORK, *County of New York, ss:*

I, William Sohmer, clerk of the county of New York, and also clerk of the supreme court for the said county, the same being a court of record, do hereby certify that C. P. Northrop, whose name is subscribed to the certificate of the proof or acknowledgment of the annexed instrument and therein written, was at the time of taking

such proof and acknowledgment a notary public in and for said county, duly commissioned and sworn, and authorized by the laws of said State to take the acknowledgments and proofs of deeds or conveyances for land, tenements, or hereditaments in said State of New York. And further, that I am well acquainted with the handwriting of such notary public, and verily believe that the signature to said certificate of proof or acknowledgment is genuine.

In testimony whereof I have hereunto set my hand and affixed the seal of the said court and county the 1 day of Mch., 1899.

[L. S.] WM. SOHMER, *Clerk.*

[10c. internal-revenue stamp, cancelled.]

[Endorsed.]

"Received in the Hudson Co., N. J., clerk's office Mar. 1st, A. D. 1899, and recorded in clerk's record No. ——, on page ——.

JOHN G. FISHER, *Clerk.*"

"Filed Mar. 1, 1899.

GEORGE WURTS, *Secretary of State.*"

STATE OF NEW JERSEY, *Department of State:*

I, George Wurts, secretary of state of the State of New Jersey, do hereby certify that the foregoing is a true copy of the certificate of incorporation of Royal Baking Powder Company and the endorsements thereon, as the same is taken from and compared with the original filed in my office on the first day of March, A. D. 1899, and now remaining on file therein.

In testimony whereof I have hereunto set my hand and affixed my official seal, at Trenton, this eighteenth day of May, A. D. 1901.

[SEAL.] GEORGE WURTS, *Secretary of State.*

EXHIBIT 2.—*By-laws of Royal Baking Powder Company.*

ARTICLE I.—*Meeting of stockholders.*

SEC. 1. The annual meeting of stockholders shall be held at the principal office of the company, in the State of New Jersey, on the first Tuesday of February in each year after the year 1899, at 12 o'clock m. The polls shall be open from 12.15 to 1.15 p. m., under the supervision of two or more inspectors of election (no one of whom shall be a candidate for the office of director), to be appointed by vote of the stock present or represented at the meeting and qualified to vote for directors.

SEC. 2. Special meetings of the stockholders may be called by the president, and shall be called whenever stockholders of record owning one-fifth of the capital stock of the company issued and outstanding at the time and having the right to vote shall, in writing, make application therefor to the president or directors, stating the object of such meeting. The business transacted at special meetings shall be confined to the objects stated in the call.

SEC. 3. A special meeting of the stockholders of the company shall also be called, as provided in the articles of incorporation, by the president, at the request of any stockholders owning preferred stock of the par value of $50,000, in case of four months' default in payment of dividends on the preferred stock. In case of the neglect or refusal of the president to call such a special meeting upon such request, such meeting may be called by any such requesting preferred stockholders.

SEC. 4. Notice of the time, place, and object of each special meeting of stockholders shall be mailed to each stockholder at least ten days before the date specified for the meeting, addressed to his place of residence or business as the same appears in the list of addresses which shall be kept by the secretary of the company.

SEC. 5. So long as the dividends reserved on the preferred stock of the company shall be paid as and when the same become due and payable, the holders of the preferred stock shall have no voting power on any question, but the voting power at all such elections shall be vested exclusively in the common stock. If any dividend on the preferred stock shall not be paid when due, and shall remain unpaid for the period of four months, the preferred stockholders may at a special meeting of the stockholders called as provided in section 3 of this article elect a new board of directors to serve until the next annual meeting of the stockholders or until their successors are elected.

The election of such new board of directors by the preferred stockholders shall terminate the terms of office of each member of the existing board of directors elected by the common stock. Thereafter and until all arrearages of dividends upon the preferred stock shall have been paid or accumulated, the holders of common stock shall have no voting power on any question. One month after the payment of all defaulted dividends upon the preferred stock or the accumulations of net earnings equal to such defaulted dividends, the voting power then vested exclusively in the preferred stock shall cease, and such exclusive voting power shall be restored to the holders of the common stock, and the new board of directors may be elected by such exclusive vote of the common stock at a meeting duly called and held as in section 3 of this article above provided concerning any meeting following a default in the payment of dividends on the preferred stock, save only that notice thereof shall be given alone to the holders of the common stock, and such meeting being held and such new board being elected, the term of office of each director elected by the vote of the preferred stock shall at once expire.

ARTICLE II.—*Directors.*

SEC. 1. The board of directors shall consist of not less than five stockholders or of such greater number, not exceeding thirteen, as by action of the directors or stockholders may be from time to time prescribed. The first board shall be elected by ballot at the first meeting of the company, and the members thereof shall hold office as herein provided and until their successors are elected.

SEC. 2. A majority of the directors shall constitute a quorum for the transaction of business.

The board of directors shall meet for the election of officers and the transaction of business without unnecessary delay after each annual meeting of the stockholders.

SEC. 3. The directors may hold their meetings and have an office and keep the books of the company (except the stock and transfer books) at such place outside of the State of New Jersey as may be fixed by them.

SEC. 4. The term of office of directors elected at annual meetings of the stockholders shall be one year, or until their successors are elected; provided, however, that the terms of office of each director of the company shall cease upon the election of his successor at any special meeting called for the purpose and in the manner specified in sections 3 and 5 of Article I of these by-laws.

SEC. 5. The directors shall elect by ballot from among their number a president and one or more vice-presidents. A secretary and a treasurer shall be elected or appointed by the board of directors either from their own number or not, as the board in each case elects.

The secretary shall be sworn to the faithful discharge of his duties.

The treasurer shall give bonds for the faithful discharge of his duties, in such sum and with such sureties as the directors may from time to time require.

The board of directors may also from time to time by resolution appoint such other officer or officers with such powers as may by resolution be determined.

SEC. 6. The stockholders shall have the power to fill any vacancy occurring in the board of directors, and any person elected to fill a vacancy in the board of directors shall hold office for the remainder of the term of office of the director whom he succeeds.

SEC. 7. Meetings of the board of directors may be called at any time by the president of the company. Directors shall be notified in writing of the time and place of all meetings of the board, at least two days prior thereto. Any director may, however, in any instance waive such notice in so far as he is concerned.

ARTICLE III.—*Executive committee.*

[See amendment May 4, 1899, attached.]

SEC. 1. The president shall appoint two directors, who, with the president, shall constitute an executive committee, which committee shall have and exercise the powers of the board in the intervals between the meetings of the board.

The executive committee shall keep full and complete minutes and records of its meetings, proceedings, and acts held and taken in intervals between the meetings of the board of directors, and shall from time to time submit the same to the board.

Royal Baking Powder Company—Amendment to by-laws adopted May 4th, 1899.

ARTICLE III.—*Executive committee.*

SECTION 1. The president shall appoint four persons, holders of the common stock of the Royal Baking Powder Company, and at least three of whom shall be directors, who, with the president, shall constitute an executive committee, which committee shall have and exercise the powers of the board of directors in the intervals between the meetings of the board.

The executive committee shall keep full and complete minutes and records of its meetings, proceedings, and acts held and taken in intervals between the meetings of the board of directors, and shall from time to time submit the same to the board.

Meetings of the executive committee shall only be called on at least one day's notice to all the members unless a waiver of such notice is signed.

ARTICLE IV.—*The president and vice-president.*

SEC. 1. The president shall preside at all meetings of the board of directors and shall sign all certificates of stock of the company. He shall have power, in his discretion, to examine the books and the accounts of all officers, agents, and employees of the company. He shall prepare a report for the annual meeting of the stockholders, which shall be submitted to the board of directors for approval. He shall have and exercise general supervision over all the business affairs of the company, and shall have authority to negotiate trade contracts and engage and discharge and fix the salaries of all employees other than those appointed or employed by the board or executive committee. He shall report from time to time to the executive committee and keep them advised of all business of the company.

SEC. 2. The vice-presidents. In case of the absence or inability of the president, the duties of his office shall be performed by one of the vice-presidents, to be designated by the president, and in case of his failure to designate, by the board of directors at any meeting and without notice on the written consent of a majority of the holders of the common stock.

ARTICLE V.—*Secretary.*

SEC. 1. The secretary shall keep the minutes of the proceedings of the meetings of the stockholders, of the board of directors, and of the executive committee, and shall be custodian of the same. He shall also record all the votes of the directors, executive committee, and stockholders in a book to be kept for that purpose.

SEC. 2. He shall have charge of the corporate seal of the company, and shall in the course of its business affix the same to all stock certificates issued, and when authorized by the board of directors or by the executive committee so to do, he shall affix the seal to contracts and other instruments.

SEC. 3. He shall, under the direction of the directors, give all notices required for the election of directors, and meetings of the directors and stockholders.

SEC. 4. He shall have charge of all records, resolutions, and papers acted upon by the board, and also of all letters and papers pertaining to the affairs of the board of directors.

SEC. 5. The transfer books of the company shall be kept under his direction, and he shall perform such other duties as he may be charged with by the board of directors or executive committee.

SEC. 6. In the absence of the secretary, the board may appoint a secretary *pro tem.* to make record of its meetings and do whatever else pertaining to such office the board may direct.

ARTICLE VI.—*Treasurer.*

SEC. 1. The treasurer shall receive and have charge of all funds belonging to the company, and shall deposit the same to the credit of the company in such place or places as the board of directors or executive committee may direct, and shall disburse the same. He shall sign all checks of said company, which shall also be countersigned by such other officer or employee of the company as may from time to time be empowered in that regard by the board of directors or the executive committee.

ARTICLE VII.—*Transfer and registration of stock.*

SEC. 1. All transfers of stock shall be signed by the stockholders, in person or by attorney, in a book to be provided for that purpose. At the time of transfer the old certificate for the shares transferred shall in each case be surrendered and canceled and a new certificate issued in lieu thereof.

SEC. 2. All certificates of stock issued shall bear the seal of the company and be signed by the president or a vice-president and the treasurer. The board of directors shall make, and from time to time alter or amend, suitable regulations providing for the registration of certificates of stock.

ARTICLE VIII.—*Dividends.*

SEC. 1. The preferred stock shall receive dividends at the rate of and not exceeding six per centum per annum. Such dividends shall be payable quarter-yearly on the first days of July, October, January, and April, except that the first dividend, representing the four months beginning March 1, 1899, shall be for two per cent and shall be payable July 1, 1899. Such dividends shall be cumulative, and if the profits in any one year declarable as dividends shall not be sufficient to pay such dividends for such year, upon said preferred stock, the same shall be made up from profits of a later period until the full amount of dividends herein specified, without interest, shall have been paid upon the preferred stock before any dividend is declarable on the common stock.

The amount of such annual dividend on the preferred stock shall in each year be reserved for such payment before any dividend shall be set apart or paid on the common stock.

The balance of the net profits of the company declarable as dividends shall be distributed among the holders of the common stock semi-annually or quarter-yearly, as the board of directors may from time to time determine.

SEC. 2. The power to fix the amount to be reserved as a working capital for the company is vested in the board of directors, and the rights to dividends from profits shall be subject thereto; but no such working capital shall be accumulated until all dividends due on the preferred stock have been paid.

SEC. 3. The face value of the preferred stock and accrued and unpaid dividends shall, in the event of the dissolution of the company and division of its assets, be paid in full before any sum whatever shall be paid on account of the common stock, and thereafter the common stock shall be entitled to the entire assets remaining.

ARTICLE IX.—*Order of business.*

The order of business at meetings of directors shall be as follows:
1. Reading and approval of minutes of previous meetings.
2. Reports of officers.
3. Reports of committees.
4. Unfinished business.
5. Miscellaneous business.

ARTICLE X.—*Seal.*

The corporate seal shall contain the words "Royal Baking Powder Company, Incorporated."

ARTICLE XI.—*Corporate limitations.*

No mortgage shall be created or assumed by the company, nor shall any class of its capital stock now or hereafter existing, other than its common stock, be increased, nor shall said company be merged into or consolidated with any other company, nor shall said company vote any of the stock of any other corporation that may be at any time prior to March 6th, 1899, held or owned by it, or permit the same to be voted in favor of, or authorize the placing of, any mortgage of any kind or character upon any of the properties of any of the said corporations, unless (in the event that the company shall at the time be managed by a board of directors elected by the holders of the common stock) there shall be first obtained the consent in writing of the holders of seventy-five per cent of the preferred stock outstanding at the time, or unless (in the event that the company at such time be managed by a board of directors elected by the holders of the preferred stock) there shall be first obtained the like consent in writing of the holders of seventy-five per cent of the common stock outstanding at the time.

ARTICLE XII.—*Amendments.*

SEC. 1. Any one or more of these by-laws may be altered, amended, added to or repealed, except as provided in and subject to the provisions of section 2 of this article, at any meeting of the stockholders, by a vote of a majority of the stockholders

or by the board of directors at any meeting, and without notice, on the written consent of the holders of a majority of the common stock.

SEC. 2. Any by-law may be altered, amended, added to, or repealed at any annual meeting of the stockholders, without notice, except that sections 3 and 5 of Article I, section 4 of Article II, and section 1 of Article VIII shall be altered, amended, added to, or repealed only at an annual meeting of the stockholders and by the vote of at least two-thirds of all outstanding shares of common stock, and with the approval of at least two-thirds of all outstanding shares of preferred stock of the company; and except that Article XI shall be altered, amended, added to, or repealed only with the consent in writing of such amount of the capital stock, preferred or common, as the case may be, as is required pursuant to Article XI, to authorize the creation of any mortgage indebtedness.

THE PAPER COMBINATION.

WASHINGTON, D. C., *April 12, 1901.*

TESTIMONY OF MR. JOHN NORRIS,

Business manager, New York Times, New York.

The commission met at 10.50 a. m., Vice-Chairman Phillips presiding. Mr. John Norris, business manager of the New York Times, appeared as a witness, and, being duly sworn, testified as follows:

PERSONAL STATEMENT OF THE WITNESS.

Q. (By Mr. JENKS.) Will you kindly state how long you have been engaged in the business of buying paper, particularly for the general newspaper industry?—A. Nine years.

Q. With what other large papers have you been connected in New York City?—A. The New York World.

Q. In connection with your business you have been brought into direct contact with the paper combination, I infer?—A. Direct.

Q. If you would make your own statement with reference to the history of the combination and its effect upon newspapers, and so on, we will be glad to receive that first, and ask any questions we wish afterwards.

Mr. CHAIRMAN and GENTLEMEN: You have asked me to appear before you and give information respecting paper prices and the results brought about by the consolidation of a number of paper mills into the International Paper Company. I do so with the utmost willingness, and in summarizing my reply to your inquiries I assert that the International Paper Company has failed in every expectation it held out to the newspapers and to the public. The cost of manufacture is greater under consolidation than under individual ownership of the paper mills. The economies which were to be obtained under the consolidated management have not been realized. The export trade has fallen off, or at least has not increased, though that war to be the strong feature of the consolidated companies' effort. The promised policy of an enlightened self-interest has been abandoned, and the net result to newspapes publishers has been an increase of over $4,800,000 per annum in the cost of news print paper.

The newspaper with which I am connected has always maintained that its opinions can only be expressed through its editorial columns, so I will state preliminarily that I speak for myself only, and not for any particular newspaper, though I have no doubt that practically all the newspapers of the country object to the increase of price. I am in a position to know the views of newspaper publishers, and I can fairly say that I express the views of all the large consumers of news print paper.

AMOUNT AND VARIETY OF PAPER MANUFACTURED.

May I ask your indulgence by suggesting to you at the outset to observe the distinction between paper as used in the general sense, and news print paper as it is limited by this inquiry. To-day there are probably 723 pulp and paper mills in the United States, but the news print mills number 63. The total production of the 723 paper mills in active operation may be any figure up to $195,000,000, according to the credulity of the paper manufacturer who furnishes the figures, but according to the Commissioner of Labor the total is $97,000,000, and this production will include book paper, straw board, writings, manilas, and numberless other articles. But the gross production of the news-print paper mills of the country will not exceed $26,000,000. This distinction is important in differentiating the news-print mills from all other kinds of paper mills.

THE PAPER INDUSTRY PRIOR TO THE ORGANIZATION OF THE INTERNATIONAL PAPER COMPANY.[1]

For 18 years there had been a steady downward tendency in the price of news print paper, due to many causes, notably the substitution of wood for rags in making pulp, improvements in machinery and in methods of manufacture, increased consumption, and wholesale production under concentrated supervision, so that in the year 1897, news print paper which had sold 18 years previous for 9 cents per pound, or $180 per ton, was sold, delivered in the newsrooms in New York City, at 1.60 cents per pound, or $32 per ton, payment to be made on the basis that all weight in excess of a given standard—say 114 pounds per 1,000 8-page sheets—should be at the expense of the manufacturer, and that the newspaper should also have the benefit of the deficiency in case the weight of the paper should fall below standard. All white waste was to be taken away by the manufacturer without charge of any kind to the publisher. Three weeks' supply of the paper was to be kept on storage in New York at the expense of the manufacturer, and payment was to be made at an average of 30 days after use of paper. In making yearly contracts with publishers, many manufacturers obligated themselves to meet market prices, so that the newspaper publisher practically had a guarantee that his raw material should not cost him more than the market price. This practice prevailed to a greater extent in the Middle West than in the East, and in the year 1897 the price of news print paper throughout the country—that is, for large dailies—averaged about 1.75 cents per pound, or $35 per ton.

Competition between manufacturers became so intense that they frequently gave long credits to weak newspapers and carried the burdens of bankrupt concerns to the disadvantage of solvent ones. However, the competition had many advantages. It forced economies and improvements in manufactures, increased consumption, and promoted the spread of knowledge. Within the period of 7 years the speed of paper-making machines was increased from 200 to 500 feet per minute. Their width was increased to 162 inches. Their capacity for running without stops was improved, and their output was further enhanced by enlargement of orders to such an extent that as many as 5 or 6 fast running machines could be operated continuously day and night from January to December without stopping to change for variation in weight of paper, in width, color, quality, or surface. Pulp made in an adjoining mill would be pumped in a liquid state from the pulp mill to the paper mill, saving probably a dollar per ton upon manufacture in that one item. Numerous economies of a similar character were introduced. Rags were entirely discarded and sulphite pulp was substituted for rags in giving strength and fiber to the paper. The conversion of water power into electric power and its transmission by wire also contributed to cheapen the cost of manufacture. A complete revolution in method was made and news print paper was put upon the car at the mill at a cost of less than $25 per ton. I may say that the cost was brought down to $20 per ton, exclusive of the items of insurance and taxes, depreciation and interest on investment.

This reduction in the price of news-print paper and the use of the linotype machine cheapened the cost of producing newspapers and resulted in the enlargement of the size of daily and Sunday editions. It also resulted in the reduction of the retail price of newspapers and in an enormous increase of newspaper circulation, and in corresponding demands upon manufacturers for news-print paper. One publication that I have in mind increased in 4 years from a consumption of 13,000 tons per annum to 30,000 tons per annum. The stimulus given to news-print manufacture resulted in an increase of about 400 tons per day capacity during the year 1896. Pulp wood was then cut from the cheap timber lands of Canada and imported free of duty, the transportation to the American mills in many cases being entirely by water. At that time mechanically-ground wood or wood pulp was subject to a duty of 10 per cent, the duty averaging $1.20 per ton. The duty on news-print paper was 15 per cent, or $3 per ton, but no news-print paper was imported.

THE MOVEMENT FOR A CONSOLIDATION OF PAPER MANUFACTURES.

This was the situation when a committee of paper manufacturers, composed of William A. Russell, Hugh J. Chisholm, Warner Miller, A. C. Paine, and Wellington Smith, appeared before the Ways and Means Committee on December 31, 1896, and urged an increase of the tariff on pulp and paper. At that meeting I charged that the manufacturers then present were planning to consolidate all the large news-print paper mills of the country; that they proposed to increase the price of news-print paper to $2\frac{1}{2}$ cents per pound, and that they were seeking Congressional aid through tariff legislation to assure protection for themselves against the possible competition of Canada, which had limitless possibilities for cheap and ample water power, for

[1]See p. 431.

cheap timber supplies, and for cheap water routes to the market. The paper manufacturers protested vehemently against the intimation that they contemplated a raise in the price. They declared that if they should consolidate—and I quote the exact words of Mr. William A. Russell, the first president of the International Paper Company—"they would save $1,500,000 per annum by reducing their working force," and that they would also make great gains by developing an immense export trade. They declared that every dictate of enlightened self-interest would impel them to keep prices down. They knew that their customers were rich and powerful, and that a combination could not long exist under any other policy. Mr. Russell denied that any newspaper publisher seriously believed there would be an increase of price under the consolidation, because offers of long-time contracts for paper supplies at the then prevailing price had been made to the publishers and had been rejected by them. When asked whether the destruction of competition was contemplated, Mr. Russell replied, "If prices were cheaper, other manufacturers could not exist, but if we put up prices we would hold the umbrella over all."

Replying to those statements, I insisted that the paper manufacturers were taking advantage of tariff protection to combine against their customers for the purpose of raising the price, and that there was no need of tariff legislation, because the American manufacturer, by reason of natural resources and advantages, was then able to undersell the world; and I was subsequently confirmed in that statement by the declaration of Mr. Chisholm, of the International Paper Company, at the meeting of the American Paper and Pulp Association in New York in February, 1898, when he painted a roseate picture of the foreign trade in paper awaiting the American manufacturer. He figured that Great Britain, France, and Germany imported $25,000,000 worth of paper annually, and that they shipped goods worth $36,000,000 to other countries, and he asked, "Why should we not have it?" Again, in February, 1899, Mr. Chisholm extended his dream of empire, saying, "If the paper industry of the United States should determine to capture the markets of the world, there is no nation that could stand against us with our natural resources and our national traits of character."

Congress apparently relied upon the promises and pledges of the news-print paper manufacturers, and the duty on mechanically-ground wood was increased from 10 per cent, or an average of $1.20 per ton, to $1.67 per ton, and the duty on news-print paper (costing less than 2 cents per pound) was raised by the so-called Dingley bill from 15 per cent, or $3 per ton, to 30 cents per 100 pounds, or $6 per ton. Prior to that enactment no news-print paper had been imported into the United States, and the Government derived absolutely no revenue therefrom, because the American mills could make paper more cheaply than any other mills. The doubling of the rate under such circumstances made the duty prohibitory and paved the way for that increase in price which was subsequently made.

THE INCORPORATION OF THE INTERNATIONAL PAPER COMPANY.[1]

The International Paper Company filed articles of incorporation in New York State on Monday, January 31, 1898, paying a tax of $56,250 to the state, and purporting to be located at Corinth, Saratoga County, N. Y. Its authorized capital stock was $45,000,000, and power was given to issue $10,000,000 in bonds—a total of $55,000,000. The stock was divided into common and preferred, $20,000,000 of common stock, and $25,000,000 of preferred stock at 6 per cent. All the big and profitable paper mills, with a few unimportant exceptions, were merged into the company—24 mills in all—producing about 80 per cent of the American output at that time. Subsequently this number of mills was increased by purchase to 30 and the percentage of output was slightly increased, but the new mills of the Great Northern Paper Company, which were finished last November, have since disturbed and reduced this percentage. The worthless condition of some of the properties acquired by the International Paper Company was fully set forth in a brief prepared by the American Newspaper Publishers' Association on December 11, 1898, and submitted to the Joint High Commission.

Many of the prime movers in that mill consolidation were men whose mills were located on exhausted water courses and tributary to denuded timber tracts. Some of the mills were deficient in those factors which are essential to competition. Of the 98 paper machines that were included in the merger only 48 were of recent construction or of desirable patterns, and I am violating no confidence when I say that the new paper company was forced to spend $2,000,000 upon its machinery to bring it to a state of efficiency; but it is also worthy of note that not one new paper machine has been added to the company's plant in a period of 3 years. One of the mills taken into the consolidation, the Haverhill, has been dismantled. Another one, Herkimer, has been used to manufacture butchers' manila paper. One mill that went into the trust with a capitalization of $2,200,000 required an immediate expenditure of $250,000

[1] See page 432.

to put its machinery into condition. One of the machines on which a capitalization of $24,000 per ton daily output had been issued had been operated by Senator Warner Miller when he was a boy. This extraordinary collection of junk was merged with the other and more recent mills and upon practically the same terms of capitalization. The organizers of the trust frankly admitted at the time of the consolidation that the common-stock issue of nearly $20,000,000 represented only good will, though they now deny with vehemence that that stock did not represent value. For a period they paid dividends on the common stock, but with the threat of competition those dividends were stopped. Some of the mills acquired by the merger were using leased water powers and were bought by the consolidated company subject to an annual rental of $196,000. Other expenses thrust upon the corporation, if capitalized, would have added many million dollars to the obligations of the company, so that the newspaper publisher was forced to pay the carrying charges upon a capitalization exceeding $55,000,000, though modern plants with improved machinery, and better location, and more economical operation could have been built for $15,000,000—leaving a burden of $40,000,000 to be carried by the newspaper publisher.

ECONOMIES PROMISED BY THE INTERNATIONAL PAPER COMPANY.

When the International Paper Company was launched its promoters solemnly assured newspaper publishers, as Mr. Russell had assured the Ways and Means Committee of Congress, that the price of paper would be lower by reason of the consolidation. The savings expected by Mr. Russell were to be obtained:

(1) By displacing salesmen and brokers and jobbers, who would be unnecessary under the new scheme.

(2) By purchasing supplies on a wholesale basis.

(3) By railroad freight savings due to the readjustment of the supplies of the various newspapers, so that paper would be furnished from the nearest mill. Prior to the consolidation the mill at Otis Falls, Me., had been shipping to Chicago; Rumford Falls, Me., had been shipping to St. Louis, and the Lake George mill had been shipping to Bangor, Me.

(4) By creating a foreign demand for American paper. These four important items were to be supplemented by changes which the consolidators said would infuse business methods into newspaper contracts.

(5) By establishing for newspapers a uniform contract which would force publishers to pay for white waste, to pay on a basis of weight and not of production, and to pay for the storage of paper.

(6) By abolishing long credits and by protecting solvent papers from the competition of insolvents.

EXTENT TO WHICH THE PROMISED ECONOMIES HAVE BEEN REALIZED.[1]

The organization of the company was not attended with all the economies which had been promised. A president said to receive a salary of $50,000 per annum was appointed. Paper manufacturers who had been receiving salaries of $7,500 as managers of mills were brought to New York at salaries of $15,000. Salaries of superintendents of mills were also raised. Prior to the consolidation the proprietors of many of the independent mills sold their paper without any charge for sales. Under the consolidation an elaborate sales department was created, with a $15,000 vice-president, and with salaried agents in many of the big cities. Newspaper orders which had previously received the personal attention of the mill owners were turned over to clerks or other subordinates, and little heed was paid to complaints against inferior service or inferior quality. There was a lack of efficiency.

The new company aimed to acquire all the wood supply, and within a few months after consolidation it bought nearly 1,000 square miles of woodland in the United States, in addition to 600 square miles transferred to it in the merger, and it added to its possessions in Canada, so that it now owns 1,600 square miles in the the United States and controls over 2,000 square miles in Canada. In the Adirondack region of New York State it owns about 400 square miles, and I saw the statement made by one of the company's officers that it now owns all the spruce timber in the Adirondack Mountains not controlled by the State of New York, or by Mr. G. R. Finch, a lumberman of Glens Falls. Within a few weeks a concern said to be tributary to the International Paper Company acquired 30 square miles of woodlands in Vermont. The effort of the International Company to acquire woodlands in Maine stimulated prices in that state so that tracts which sold 3 years ago for 65 cents per acre are now held at $3 per acre. The International Company started to compete with itself in acquiring woodlands; consequently the price of pulp wood advanced, and the pay of the men who cut the wood naturally participated in this stimulus. The eagerness of

6 See pp. 423, 424, 428

the International Paper Company to insure to itself an ample supply of wood defeated that economy upon which its expectations had been based. The manufacturers of wires for paper machines—who are not numerous—also effected a community of interest, and they advanced prices. The manufacturers of felts for paper machines did likewise. The transportation companies also offset the proposed economies of the paper company, first, by increasing rates which had previously been made to the mills on branch lines to meet the competition of mills on the main line; second, and recently, by adding 2 or more cents per 100 pounds to the rates; and, third, by refusing the special rates theretofore granted to enable particular mills to obtain trade from other mills then in competition, but now merged.

The export dreams of President Chisholm also vanished. The figures for the year ending June 30, 1900, showed a falling off of over 4,000 tons in volume and $179,000 in value from the year ending June 30, 1898. Ex-Senator Warner Miller, when addressing the Ways and Means Committee of Congress, echoed Mr. Russell's observations that energetic efforts would be made to capture the foreign markets, and he explained that a consolidation of mills could do that which single mills could not do, but the export figures show a falling off instead of an increase, and there is no trace of that dream of $61,000,000 of foreign trade in news-print paper which Mr. Chisholm had at the time of the consolidation.

The cost of producing a ton of news-print paper has increased $3 per ton during the 3 years of consolidation. In no way have any of the expectations of the consolidation been realized, unless possibly on 2 points: (1) An increase of the price of newspaper print; (2) a reduction in the labor cost per ton of paper. The system of uniform contracts for newspapers adopted by the International Paper Company and by the other interests has been so drafted as to add $2 per ton to the cost of news-print paper upon apparently the same quotation, by charging white waste to the publisher, by charging for weight instead of for production, and by allowing a greater margin of variation from the standard of weight. These changes in the form of contract would, upon a consumption of 600,000 tons of news print per annum, net an annual gain of $1,000,000 to the paper manufacturers without apparently changing the quotation price for paper. I am also told by paper makers that as a result of the consolidation the pay of some of their skilled labor has been advanced from $2.75 to $3.50 per day, but that by reason of changes in methods of manufacture the actual labor cost of a ton of paper has, in the best equipped paper mills, been brought to less than 12 cents per hundred pounds, or $2.40 per ton. This economy is insignificant in comparison with the increase in the cost of wood, felts, wires, coal, and chemicals that enter into paper manufacture.

PRICES UNDER THE CONSOLIDATION.[1]

The news-print paper mills received an average of about 1.75 cents per pound, or $35 per ton, under the old form of contract for paper prior to the consolidation, and they are now receiving, I am told, an average of $41 per ton for paper under the new form of contract. One of the officers of the International Paper Company, in a statement to the paper trade issued November 1, 1900, said 2.25 cents per pound, or $45 per ton, was a low price for paper. The difference between the two forms of contract, equaling $2 per ton, when added to the $6 difference of average quotation, makes an increase of $8 per ton within 3 years on an estimated output of 600,000 tons per annum, or $4,800,000 per annum, which is the additional price now paid for news-print paper by American newspapers. The International Paper Company shares in this gain to the extent of about 66 per cent, or 3⅓ million dollars per annum. I know of two newspapers that are paying an increase of $150,000 per annum for their paper supply, or $300,000 per annum for the two.

The daily output of the various producers of news-print paper may be enumerated as follows:

	Tons per day.
International Paper Company	1,300
Great Northern Paper Company with a present output of	225
Nine outside mills in the East, average	280
Eight western companies	250
Average total	2,055

In this computation I have omitted a few Pacific companies and southern paper mills which are not factors in this computation.

The western paper companies are practically united in the General Paper Company, and an offer was recently made to unite all of the outside mills of the East in a scheme to maintain prices at the figure quoted by the International Paper Company. Suffi-

[1] See pp. 433–435.

cient evidence to show collusion is not forthcoming, but publishers who apply for quotations realize that in some intangible way the source of their supply has been predetermined for them, and that the price they are to pay has been prearranged for them. In each case the publisher finds that all bids but one are at a prohibitory price. He also finds that he has no remedy against the supply of inferior paper.

You ask if the consolidation of the mills has curtailed consumption. I can say that as a result of the increased price of paper many newspapers have reduced in size. At one time the New York daily newspapers curtailed 80 tons per week in their consumption. I am told that Philadelphia newspapers took similar steps.

INEQUALITIES IN THE PRICE OF PAPER.

Under the conditions prior to the consolidation the price of news-print paper was continuously reduced, and many newspapers were enabled to secure the prevailing rates by reason of the obligations of paper manufacturers to meet the market price. Under the present form of contract no such adjustment is possible. In August and September, 1899, the International Paper Company and other manufacturers fell into a panic and prices dropped to the figure prevailing in the summer of 1897. Numerous contracts were made on the low prices in 1899, so that when prices recovered later in the year, owing to the drought, there was a greater disparity of price than had prevailed prior to the consolidation. These inequalities prevailed throughout 1900 in many cases, but in 1901 there was a rise that was suspiciously regular. Practically 4 interests now fix prices instead of 60, and the newspapers are liable to more violent fluctuations to-day than they encountered in 1897. I may illustrate: After 3 years of effort by the International Paper Company toward the equalization of prices, there is one newspaper that is paying to that company a price of 1.80 cents per pound for a fine quality of a news-print paper, while another newspaper in the same city, using four times the quantity, is paying 2.15 cents per pound for paper of an inferior quality—a difference of $7 per ton in price, in addition to the inferiority in the article furnished.

In the summer season there is usually a considerable reduction in the size of newspapers, and there is a corresponding reduction in consumption. Prior to the consolidation this situation resulted in a gorge of output in the summer and a cutting of prices. The consolidation of the paper mills has given opportunity for restricting that summer output, though in 1899 the restriction was not fully carried out. One of the manufacturers tells me that 50,000 tons of paper in excess of current requirements were stored in that summer.

COMPETITORS OF THE INTERNATIONAL PAPER COMPANY.

When the International Paper Company was formed, in 1898, its projectors claimed that, in addition to owning all the timber tracts, it owned water powers of 143,000 horse-power and that it had acquired properties capable of developing an additional 100,000 horse-power. But within a few months after the consolidation, and as a result of the methods which it had adopted toward the paper trade generally, a rival interest was created, which has since materialized into the Great Northern Paper Company, with an output at present exceeding 225 tons per day, and with a possibility and a probability of 500 tons per day output, and that at a capitalization per ton of daily output that is less than one-half the capitalization of the International Paper Company, and with no bonds to provide for.

Another mill, at St. Regis, N. Y., with an estimated capacity of 100 tons per day, will begin manufacture on the 1st day of July, and a 50-ton mill in northern New York will begin in September.

Before the close of the year 1901 the capacity for production of news-print paper will have increased 450 tons per day, as compared with the period prior to the consolidation, and it is interesting to know that the news-print output of the International Paper Company for the year ending June 30, 1900, was less than 1,200 tons per day, though the 24 mills that were merged during January, 1898, and the 6 mills subsequently acquired had a rated capacity of 1,576 tons per day and were bought on that basis.

The possibilities of competition with the International Paper Company in the manufacture of news-print paper in the United States have been barely infringed, provided that timber or the mechanically ground wood can be obtained from Canada. In addition to 60,000-horse-power development at Sault Ste. Marie, on both sides of the St. Marys River, there is an opportunity for an additional development of 100,000 horse-power. The enterprise at Massena, N. Y., on the St. Lawrence River, will make an additional 40,000 horse-power available. At a meeting of the American Paper and Pulp Association, one speaker said there was a possible development of 5,000,000 horse-power by water in the United States, and that the development made up to

1890, excluding the Canadian half of the Niagara Falls, was $1\frac{1}{4}$ million horse-power, or one-fourth of the total. It should be stated that a successful paper mill requires cheap and ample water power, cheap and ample spruce timber, cheap routes to market, improved machinery, wholesale production and concentrated supervision. The American side of Sault Ste. Marie could fulfill all of those conditions if Canadian timber were available, and could develop more water power than all of the 30 properties of the International Paper Company combined, and such a venture would never be subject to drought, as are the International Company's mills, because it is supplied by Lake Superior. Under present conditions and according to Mr. Russell's clever phrasing, the International Paper Company must hold the umbrella over all of the outside mills, whether they are new or old. It must cover all of their paper machines at good prices before it can raise, or even maintain, prices. It has, therefore, put a large premium upon competition with itself.

REASONS FOR THE PRESENT HIGH PRICE OF PAPER.

The present excessive price of paper was made possible by 4 incidents: First, the Spanish-American war, which created an extraordinary demand for news-print paper; second, the South African war, which deflected the Canadian output of wood pulp to Great Britain; third, the phenomenal drought of 1899 and 1900; fourth, the adoption by the International Paper Company of the policy of attempting to check competition, and thereby marking up the price of wood upon itself and upon all other mills.

CANADIAN REPRISALS.

This exclusive policy of the International Paper Company led it to oppose the efforts for Canadian reciprocity which were under way through the offices of the Joint High Commission. The opposition thus developed provoked Canadian reprisals. The Province of Ontario prohibited the export of any logs cut from Crown lands. The Province of Quebec imposed a license fee of $1.50 per cord upon all logs cut for American use. The burden of these reprisals, the advance in wood prices, and the increased cost of paper fell upon the consumer, who in most cases has been unable to shift his load upon the public. Canada has spruce forests that are said to extend from the most easterly point of Labrador to the Yukon on the west, and from the St. Lawrence River on the south to Hudson Bay on the north. It sought to encourage the cutting of that timber, and the manufacture of mechanically ground wood, or wood pulp, within its borders. It resented the attitude of the American news-print paper manufacturers, and retaliated upon American users of its logs who had previously obtained their supplies without any export duty. The effect of this action upon American forests can not be a matter of dispute. The menace to our natural interests by the denudation of American forests was fully set forth in a brief submitted to the Joint High Commission on January 23, 1899, by the American Newspaper Publishers Association, which showed that the stripping of our forests by pulp mills and sawmills in the 4 States of Maine, New Hampshire, Vermont, and New York, was progressing at the rate of 1,700 square miles per annum. The State of New York, to protect the flow of its rivers, and because of its appreciation of the relation of forest cover to the water supply, prohibited the cutting of timber of any kind in a territory comprising 4,000 square miles for a period of 20 years.

The Chief of the Bureau of Forestry of the National Department of Agriculture has reported that, "The original forests can not long suffice to supply the increasing demands for spruce which are made upon them." Three commissions of New Hampshire have reported that the present methods of cutting, if continued, will entail baleful scenic, climatic, and economical results, injuring the health and property of all citizens, impairing the industrial development of the State, and rendering intermittent the flow of the rivers which are most important to agriculture and manufacture. Every public interest requires the conservation of our forests resources, and the adoption of that provident policy which shall keep our future wants in view and not put a premium upon the destruction of great national treasures.

My suggestion is that an effort be made to promote trade relations with Canada for free pulp and free paper, or at least free pulp, thereby protecting our forests and utilizing Canada's great stores of timber. We should adopt the plan which President McKinley has advocated of remitting "those taxes which experience has shown to be most burdensome to the industries of the people." The tariff on wood pulp is not maintained for revenue, because the entire duty paid in 1900 was small, and because one-half of the pulp wood used by the International Paper Company comes from Canada, and because spruce consumption exceeds the accessible supply.

CONSIDERATIONS REGARDING LABOR.

The entire labor roll of all the news-print pulp and paper mills of the country will average $7 per ton, or $4,200,000 per annum, a sum which is exceeded by the combined pay rolls of four daily newspapers in the city of New York. If consideration is to be given to the labor employed in the paper mills, consideration should also be given to two points: First, the statement of President Chisholm that America can successfully compete for the markets of the world, and therefore the labor in that industry needs no protection; second, that the labor employed in the newspapers affected by this tariff numbers forty times the force employed in the paper mills, and is equally entitled to consideration and protection against a movement that has taken advantage of tariff legislation to oppress and tax a purely American industry, and to promote a so-called community of interest. Any tax upon news-print paper is a tax upon knowledge and upon the education of the people.

BRIEFS SUBMITTED BY THE AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION TO THE JOINT HIGH COMMISSION.[1]

Q. (By Mr. JENKS.) You have referred to the briefs submitted by the American Newspaper Publishers' Association to the Joint High Commission appointed for the adjustment of questions between the United States and Canada. In what way were you yourself connected with the preparation of these briefs?—A. I prepared them.

Q. You were the chairman of the special committee?—A. At that time.

Q. I understand you to submit these as part of your evidence also?—A. That is right.

Copy of brief in favor of free paper and free pulp.

At a regular meeting of the board of directors of the American Newspaper Publishers' Association, held in New York on December 13, 1898, the following resolution was adopted:

Resolved, That the brief on the subject of admitting print paper and pulp free from Canada be forwarded to the United States and British Joint High Commission now in session at Washington as an expression of the views of the board of directors of the American Newspaper Publishers' Association.

Attest.

WILLIAM C. BRYANT, *Secretary.*

The following is a list of the United States High Commissioners: Charles W. Fairbanks, chairman; Charles J. Faulkner, Nelson Dingley, John W. Foster, John A. Kasson, T. Jefferson Coolidge, Chandler P. Anderson, secretary.

Address, Washington, D. C.

TEXT OF BRIEF.

The directors of the American Newspaper Publishers' Association, representing 157 daily newspapers of the United States, and representing the bulk of the total consumption of print paper, respectfully request the American members of the Joint High Commission to advocate the inclusion of free paper and free pulp in the adjustment of our relations with Canada, and in support of this request submit the following reasons therefor:

The present tariff rate on printing paper, unsized, sized, or glued, suitable for books and newspapers, valued at not above 2 cents per pound, is three-tenths of a cent per pound, or $6 per ton. The tariff rate on mechanically ground wood pulp is one-twelfth of a cent per pound, or $1.67 per ton.

During the year ending June 30, 1898, the paper manufacturers of the United States exported 53,718 tons of printing paper (news and book), valued at $2,702,351, an average of 1,000 tons per week. No paper for news printing is brought into the United States.

The total importations of pulp wood in 12 months ended June 30, 1898 (according to the Paper Mill of August 11, 1898), were 29,846 tons, valued at $601,642, against 41,707 tons in 1897, valued at $800,886.

The entire revenue received from the importation of mechanically ground wood pulp last year was $41,842, and as no news paper was imported therefore no serious question of national economy or threatening deficits could be urged in opposition to free pulp and free paper.

The tariff on paper is prohibitory and the rate for wood pulp is excessive. The American paper manufacturers need no protection, because they can manufacture paper cheaper than is done in any other part of the world. The American manu-

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[1] See briefs submitted by Senator Miller, pp. 440-445.

facturers are protected to the extent of $1.60 per ton by reason of their proximity to their customers. The difference in the cost of transportation to market is their great guaranty of security against Canada or any foreign country. They are also protected by reason of their ability to obtain cheaper and more convenient supplies of coal and chemicals, which as yet are not obtainable in the Canadian forests. American manufacturers are now supplying the Australian and Japanese markets, and are underselling the British, Swedish, and German manufacturers in the British market.

In January, 1898, all the big and profitable paper mills of the United States, with a few unimportant exceptions, were merged into the International Paper Company, a combination that absorbed 24 mills, producing about 80 per cent of the entire American output. This corporation, or trust, was capitalized upon a basis of $55,000,000, divided as follows:

Bonds	$10,000,000
Preferred stock	25,000,000
Common stock	20,000,000

The basis of the consolidation was as follows:

Tons.	Corporation.	Total.
135	Glen Manufacturing Co	$4,344,000
70	Winnipiseogee	2,135,100
100	Fall Mountain	4,105,507
20	Russell Paper	684,000
120	Niagara Falls	3,059,800
26	Webster Paper	592,800
40	Haverhill	228,000
150	Hudson River	3,193,280
275	Plattsburg Glens Falls St. Maurice Lumber	7,985,635
20	Umbagog	556,800
150	Otis Falls	4,976,530
60	Falmouth	....
25	Herkimer	592,800
50	Lake George	1,231,200
11	Turners Falls	228,000
50	Montague	1,048,800
100	Rumford Falls (plus woodland)	2,280,000
30	Piercefield	506,000
26	Ontario	412,000

The pretext given for the organization of the trust was the inability of mills to make paper at prevailing prices—that bankruptcy stared them in the face.

This combination was really formed to protect the proprietors whose mills were in poor localities or on streams that were running dry. Every mill owner who entered that trust invited a withdrawal of Government favor. Excessive and improper prices were paid for many mills that were located on exhausted water courses and that were tributary to denuded timber tracts; for mills that at periods of the year have an insufficient supply of water, or are under water; for mills that are inferior and worthless in machinery, equipment, and construction; for mills that must pay excessive rental for water power; for mills that do not own or control wood lands; for mills that have neither pulp-grinding attachments nor sulphite pulp auxiliaries.

Five of the paper mills (Rumford, Niagara, Fall Mountain, Turners Falls, and Montague) obtain their power at a total annual cost of $196,000 per annum. Two others are run by steam, which makes competition impossible, and 5 others have insufficient power. Four owned no wood lands, and 10 of the mills had no sulphite auxiliaries.

Ninety-eight paper-making machines were comprised in the plants of these mills, but only 48 of the 98 machines were of recent construction or of desirable pattern. Fifty of the 98 paper machines in the mills were almost worthless, and 1 machine, computed in the appraisement at high value, was actually tended by ex-Senator Warner Miller when he was a boy. Not one of the mills in all the combination possessed all of the 6 essentials of the cheapest and most successful manufacture; namely, cheap wood, cheap and ample water power, cheap rates to market, modern machinery, wholesale production, and concentration at one place under one supervision.

One mill included in this combination (Rumford Falls) made profits of $488,000 in 44 months on a capital of $500,000, and entered the trust on a basis that yielded $4.50 for every dollar of original investment, so that in 44 months the total return on an investment of $500,000 was $2,750,000. Yet that mill was in such poor shape

when acquired by the trust that an enormous outlay was necessary to bring it into condition.

Another mill averaged profits of from 32 per cent to 48 per cent per annum, and took $4 in trust securities for every $1 of its stock.

One plant, which could not make news paper on a number of its machines, was unloaded upon the trust at a valuation of $22,000 per ton of daily output, whereas the most intelligent and best authorities agree that the plants equipped with modern machinery, capable of producing paper under the most economical and most satisfactory conditions, can be installed at less than $10,000 per ton of daily output.

Another mill, that had not made any money in 10 years, was turned in at $22,000 per ton of daily output, yet it was a book mill, and did not turn out 1 pound of news paper.

For a mill that made not 1 cent of profit in 1897—a mill which has no water power, no sulphite attachment, and which carted its pulp 2 miles—an appraisement of $570,000 was put upon it in its merger into the trust.

An allowance of nearly $8,000,000 was made for a mill, one-half of which might better be located upon Boston Common or in New York City. Five years ago the stock capital of that concern had been $300,000.

Another company which was merged into the trust on a basis of $3,500,000 had been started on an investment of $60,000.

These details are given to show the character of security which you are now asked to protect.

The organizers of the trust frankly admitted at the outset that its common stock represented only good will, yet a quarterly dividend of 1 per cent on the common stock was declared in November, payable December 31, 1898. This common stock is now selling on Wall street at 60. A circular issued by Hatch & Foote on July 15, 1898, and based upon information "furnished by officers" of the International Paper Company, showed that it was making a profit of $10. per ton on its output. The same authority states that the trust handles 143,500 horse-power; that it owns 450,000 acres of spruce land in New York, New Hampshire, Vermont, Maine, and Michigan, and holds government licenses for 1,132,000 acres in Canada.

The capital represented by the annual rentals of $196,000 per year for water power and by other fixed charges paid by the trust would increase the total capitalization represented by that combination to $65,000,000. The entire output of this corporation, representing 1,420 tons per day for theoretical capacity, could be reproduced by a present investment of $15,000,000, so that the American consumers of newspapers are forced to pay dividends upon an inflated and wholly fictitious valuation of at least $40,000,000.

This combination of 24 mills, while embracing many inferior and worthless mills, also included practically all of the locations in the United States where cheap and ample water power, cheap and good spruce wood, and cheap rates to market can be obtained for a mill of 100 tons daily capacity.

Immediately after the organization of the trust it raised the price of paper wherever possible. In three cases it raised the price $10 per ton, and has averaged an increase of $5 per ton on its daily output of 1,420 tons, equaling an increased tax of $2,130,000 per annum upon the newspapers of the country, which now pay a total exceeding $20,000,000 per annum for their paper supply.

A reciprocal arrangement with Canada for free paper and free pulp is advisable to insure the continuance of the present supply of free logs from Canada. The threatened retaliatory export duty upon logs to be imposed by Canada would ultimately fall upon the newspaper consumer. The present consumption of pulp wood by the pulp and paper mills of the United States, including manila, book, and writing, is stated, upon authority of the Paper Maker, a paper trade journal, at 2,000,000 cords per annum, which consumption requires the entire stripping of pulp timber on 625 square miles per annum.

Our spruce wood supply is limited. We therefore urge that the commission should take advantage of the present opportunity and immediately secure a sufficient supply of spruce freed from tariff complications.

The trust, in furtherance of its policy of stifling competition and controlling prices, has increased its timber holdings since this Hatch & Foote statement of July 15 was issued, and that ownership is more than sufficient to give it a wood supply for a long period of years on present production. There are no considerable water powers beyond the control of the trust which can be utilized to operate large plants in competition with the trust, so that all that might be done in the United States toward the enlistment of capital, the development of new enterprises, or the conversion of manila mills to news, or the extension of pulp or sulphite mills to news production, would be inconsiderable in comparison with the wiping out of the duty on paper and the opening of Canada to our relief.

The enlightened policy of New York and other States in protecting forests should be encouraged by putting Canadian pulp and paper on the free list. If consideration be given by the commissioners to the inflated securities issued upon the trust paper mills, then consideration should also be given to the capital invested in newspapers, which represents at least twenty times the capital actually invested in the paper mills. If the commissioners feel that the labor employed in the paper mills ought to be protected, then we submit that the labor employed in the newspapers affected by this tariff, numbering forty times the force employed in the paper mills, should also be considered.

Every increase of a quarter cent per pound in the price of news paper adds $34,000,000 to the value of the trust securities. While the enlistment of capital in American enterprises may exercise a slightly deterrent influence on the paper trust, the effect can not be material, because the trust owns the largest and best powers in localities where spruce wood is cheap and from which transportation is prompt and cheap. A successful and energetic competition can not be maintained within the United States. The outside mills that do or can make paper are not equipped for the economical manufacture of news paper. We must look to Canada and the foreign countries where ground wood can be produced at a cost of $7.50 per ton and where news paper can be produced for 1 cent per pound. Free paper is, therefore, the only strong and permanent assurance of protection from this combination.

The commissioners should consider whether they are justified in furnishing protection to a combination organized in restraint of trade, and intended to extort excessive prices from a representative industry.

The question of protection or free trade has nothing to do with the question of free paper or free pulp. The tariff duties on these articles have been availed of by a monopoly to obtain an unfair advantage, and the issue is not one of revenue. The duties are not needed to protect any paper or pulp mill, in competition with foreign rivals.

The duty on paper stops cheap books and cheap newspapers. It taxes intelligence, because the newspapers are the people's school and their library. All taxes upon paper are taxes upon reading, upon knowledge, upon the dissemination of information. Under any government such a tax would be oppressive and proscriptive. In a government based, as ours is, upon the intelligence and resultant virtue of the people, it is anomalous and monstrous. To make newspapers artificially dear is wantonly to restrict the number of readers and so increase the sum of ignorance. When this is done or proposed simply to add to the profits of a monopoly, the injury to public interests become a matter demanding the intervention of the Government.

Copy of second brief submitted.

[Will editors kindly notice, and oblige John Norris, chairman special committee on paper, American Newspaper Publishers' Association.]

NEWSPAPERS URGE THE PRESERVATION OF OUR FORESTS—BRIEF SUBMITTED TO JOINT HIGH COMMISSION FOR ADJUSTMENT OF QUESTIONS BETWEEN THE UNITED STATES AND CANADA.

JANUARY 25, 1899.

The American Newspaper Publishers' Association desires to supplement its brief on free paper and free pulp by directing the attention of the American members of the Joint High Commission to the urgency of a provident policy which shall protect and preserve our forests. The best authority in the United States on this subject says that the denudation of our forests by pulp mills and sawmills in the 4 States of Maine, New Hampshire, Vermont, and New York is progressing at the rate of 1,700 square miles per annum. The chief of the Bureau of Forestry of the Department of Agriculture at Washington calculates that forest fires are causing an annual loss of $20,000,000.

The latest records of the Geographical Survey show that the low-water level of our important lakes and rivers has been declining steadily for the last 10 years, reaching their lowest point in the year 1896, and that the decline of the water level on Lakes Huron and Michigan is especially noticeable. Many lakes in the Northwest have entirely disappeared.

In considering the timber problem of the country, spruce wood constitutes a most important factor. There is no available spruce in the United States west of New York except a limited amount in West Virginia, a patch of 50,000 acres in Michigan owned

by Niagara paper mills, and a similar area in Wisconsin. It is therefore fair to consider the question of preserving the spruce forests as applying mainly to New England and New York.

In the State of Maine there are 420 timber townships, but all of the townships accessible to large rivers are entirely denuded of their valuable timber; some have been cut over the second or third time, and there are very few, if any, that have not been cut over once for pine and spruce.

In New Hampshire, at the present rate of cutting, the State Forestry Commission has said that the entire forest resources of the State would be exhausted in 12 years; others have fixed 8 years. Lumbermen in that State cut everything down to 6 inches at the stump, so that there is no reproduction by growth.

Vermont has already reached a point where it can barely supply its home demand. The State of New York by constitutional amendment has prohibited the cutting of timber of any kind in a territory covering 4,000 square miles for a period of 20 years. In the year 1894 the State of New York took a determined stand against the destruction of its forests by setting aside the Adirondack Park, which contains 2,807,760 out of 3,588,803 acres of available spruce area in the State. An appropriation of $1,500,000 has been made recently for the acquirement of additional forests, and the people of the State have recognized the fact that the stripping of forests, and the almost inevitable forest fires which attend that stripping, have involved immense public concerns, producing disastrous floods, affecting the flow of the rivers, destroying agriculture and manufacture. But the most important aspect of the timber situation is the relation of the forest cover to the water supply.

Mr. Gifford Pinchot, now chief of the Forestry Bureau of the National Department of Agriculture, wrote in 1898 as follows: "The harvest of the timber crop is commonly accompanied, under the usual methods of lumbering, by the destruction of the forest when merchantable trees predominate, and in any case by severe and needless injury. Fire follows the lumbermen until in many places it is thought to be inevitable. The original forests can not long suffice to supply the increasing demands for spruce which are made upon them." Commenting upon the methods of lumbering in New York, he wrote: "The spruce is removed and no provision of any kind is made for its reproduction. Cutting for pulp does more harm than cutting for lumber, because it takes a vastly greater number of trees"—that is, trees of a smaller size.

The effect of the denudation of the forests upon the water supply of communities may be instanced notably in the case of the city of Philadelphia, which is now looking for a new source of supply because of the stripping of the timber in the head waters of the Schuylkill River, which has furnished that city's supply.

The Pennsylvania Legislature of 1897 provided for the purchase of 3 forest reserves of not less than 40,000 acres each, and the Wisconsin Assembly appointed a commission to formulate and recommend forest legislation. Minnesota has probably the best forest-fire law of any State, with a fire warden as executive officer. In New Jersey and North Carolina the geological survey is specially charged with forest interests.

Forestry associations have been organized in the States of New York, Pennsylvania, New Jersey, Colorado, Utah, Ohio, Kentucky, Minnesota, Texas, North Dakota, Wisconsin, and South Carolina, and forestry commissions have been established in Maine, New Hampshire, New York, Colorado, California, and Wisconsin to devise means for stopping forest fires and to stop the vandal methods of lumbermen. The waste and loss have been so great, and the danger to the public has become so menacing that a Bureau of Forestry was created by the Department of Agriculture to cultivate the general application of forestry principles to the harvesting of timber crops, and to point out the injuries that attend rapid deforestation. Two forestry schools have been established for the same purpose—one at the Cornell University and one at Biltmore, N. C.

There are now 30 forest reservations created by Presidential proclamation, embracing an area of 62,000 square miles, and extending over large portions of 13 States and Territories where Government lands are located. So important has the question of forest cover become that the National Irrigation Congress, convened at Lincoln, Neb., on September 30, 1897, unanimously advocated the withdrawal from sale of all Government lands which are of more value for their timber than for agriculture or for minerals. It advocated this policy to protect the flow of rivers and to produce timber to supply the needs of agriculture and mining and the demands of commerce. On December 8, 1897, the American Forestry Association joined in that recommendation.

Conditions have radically changed since the early settlers cleared away the virgin forest. Millions of population must now be considered, and climate, health, water supply, and kindred matters present new problems for governmental action. The courts

of California stopped hydraulic mining of gold in 1882 when the washings of the gold hills filled the Sacramento and other rivers, and threatened agriculture. How much more serious is the effect of rapid deforestation upon all private and public interests?

Three commissions in New Hampshire have reported that the present methods of lumbering, if continued, will entail baleful scenic, climatic, and economical results, injuring health, property, and occupations of all citizens, impairing the industrial development of the State, and rendering intermittent the flow of the rivers which are most important to agriculture and manufacture.

The interests of the public generally as distinguished from those of a class—lumbermen—require the conservation of the forest resources. In view of these serious aspects of the situation we are confident that an enlightened self-interest will impel the treaty makers in dealing with Canada to follow that provident policy which shall keep our future wants in view, and which shall not put a premium upon the destruction of great national treasures.

The present wasteful method will inflict upon the agricultural interests of the country an injury which will be felt in every part, and which in the mountainous regions threatens to become disastrous and irremediable. It will bring upon some sections all the calamities experienced from the same causes in Europe and Asia. A distinguished Secretary of the Interior has said it will sacrifice the agricultural interests, and in the course of time make our valleys unfit for the habitation of men.

PRICES OF NEWS PRINT PAPER AS COMPARED WITH THOSE OF OTHER VARIETIES.

Q. (By Mr. Jenks.) You referred at the beginning of your testimony to the proportion of the entire paper output represented by news print paper. It amounts, as I understood you to say, to between 23 and 30 per cent of the entire output. Does this increase in prices apply to the other kinds of paper as well as to the news print paper?—A. I do not know; I am not sufficiently informed. Those prices never interested me, and therefore I concentrated my attention on news print paper, the one kind of paper which I was buying.

TERMS AT WHICH INDEPENDENT CONCERNS WERE TAKEN INTO THE CONSOLIDATION.

Q. I judge from what you said that before the organization of the International Paper Company, and at the time when competition among the different paper manufacturers was keen, the manufacturers themselves felt they were at a disadvantage as compared with the newspaper publishers, and that many of them were losing money. Is that the claim they themselves have made?—A. They did so state, but the figures disclosed in the consolidation of the companies did not bear out any such statement, as will appear by the figures given in the brief prepared in December, 1898—Rumford Falls, for instance.

Q. In speaking of the capitalization I find, part in this brief and part in your statement, matters of this kind: You refer to the Rumford Falls mills, and say that they made profits of $488,000 in 44 months on a capital of $500,000, and entered the trust on a basis that yielded $4.50 for every dollar of original investment, so that in 44 months the total return on an investment of $500,000 was $2,750,000.—A. They obtained securities amounting at par to $2,280,000, which added to the profits of the 44 months made $2,750,000 upon the original investment of $500,000, and that, too, in a period when paper manufacturers claimed they were losing money.

Q. This $2,280,000, I understand, was taken in securities?—A. Yes; the other four hundred and odd thousands represented the profits during that period.

Q. But the pay itself was taken in securities, of course, and not in cash?—A. $2,280,000 in securities, some of which have never touched par or anywhere near it, and some of which have dropped as low as $14 per share.

Q. That is the reason I asked the question. When one speaks of the total return on an investment of $500,000 being $2,750,000, the statement is somewhat misleading unless one takes into account the fact that this was received in securities which were far below par. Do you know what the actual return was on the basis of the market value of these securities, say 6 months after the securities were turned over?—A. I never watched those quotations accurately, and I therefore can give only a rambling statement; but according to my best information, the preferred stock ruled at that time about 85 and the common stock about 55. The common stock has since fallen as low as 14 and is now 27.

Q. And the preferred, do you recall about how that stands?—A. According to the daily newspapers the preferred is now selling, I think, around 79.

Q. These securities were turned over on a basis according to which 1 share of preferred and 1 share of common usually went together?—A. I never obtained any

other details than those which appear in that brief giving the rated capacity of each mill and the amount of securities and division.

Q. Perhaps you can make these statements a little more definite as regards the special establishments in question. You say, "Another mill averaged profits of from 32 per cent to 48 per cent per annum, and took $4 in trust securities for every $1 of its stock." What mill was that?—A. That was the Ontario.

Q. You spoke of another plant which could not make newspaper on a number of its machines, but which the trust took at a valuation of $22,000 per ton of daily output?—A. That was Mr. Russell's book mill at Lawrence. I assume, and it was generally assumed, that it was a sort of promoters' fee, and it was very cheap even at that price, because Mr. Russell was the only man in the United States at that time who could possibly have brought those paper manufacturers together, and the effort cost him his life. He died shortly after.

Q. So you consider that this to a considerable extent represented the promoters' pay?—A. I would not like to publicly allege that. There was considerable indulgence and consideration given to Mr. Russell who solidified and molded the various conflicting interests.

Q. You spoke of another mill turned in at $22,000 per ton daily output that had not made any money in 10 years?—A. The mill at Herkimer, ex-Senator Warner Miller's mill.

Q. You spoke of the valuation of $22,000 per ton of daily output. What, in your judgment, would be a fair cash basis of valuation per ton of daily output?—A. Ten thousand dollars per ton; of course, not attempting to buy up the supply of wood lands for a generation, but reasonable provision and fair reliance upon the markets.

Q. When you speak of $22,000 per ton, do you include both preferred and common stock?—A. The par of the securities.

Q. You spoke of another mill that made no profit at all in 1897, which had no sulphite attachment and which had to cart its product 2 miles, being appraised at $570,000?—A. That is Warner Miller's mill. If you will let me have the copy of that brief I might be able to identify those.

Q. Will you kindly identify the 3 or 4 mentioned on the page, and read enough so that the stenographer can get the order.—A. (Reading:) "Another mill averaged profits of from 32 per cent to 48 per cent per annum, and took $4 in trust securities for every $1 of its stock." That was the Ontario. "One plant, which could not make news paper on a number of its machines, was unloaded upon the trust at a valuation of $22,000 per ton of daily output; whereas the most intelligent and best authorities agree that plants equipped with modern machinery, capable of producing paper under the most economical and most satisfactory conditions, can be installed at less than $10,000 per ton of daily output." The mill there referred to was Mr. Russell's mill. "Another mill that had not made any money in 10 years was turned in at $22,000 per ton of daily output, yet it was a book mill and did not turn out 1 pound of news paper." This is Mr. Russell's Lawrence mill. The other was Mr. Russell's Bellows Falls mill. "For a mill that made not 1 cent of profit in 1897—a mill which has no water power, no sulphite attachment, and which carted its pulp 2 miles—an appraisement of $570,000 was put upon it in its merger into the trust. That was ex-Senator Warner Miller's mill. Since the consolidation the paper company has built a railroad and improved that mill, which is now making butcher's manila paper. "An allowance of nearly $8,000,000 was made for a mill, one-half of which might be better located upon Boston Common or in New York City. Five years ago the stock capital of that concern had been $300,000." That was the Glens Falls paper mill, and that $8,000,000 included its allied concerns at Plattsburg and its interest in the St. Maurice Lumber Company.

Q. Do you know how much has been paid for the various properties that were included?—A. I do not. I have gathered that they were acquired through profits realized in the operation of the mill, though I am not clear on that point, and would not care to be quoted as saying so.

Q. You say further, "Another company, which was merged into the trust on a basis of $3,500,000, had been started on an investment of $60,000." Which was that?—A. That was the Glen Manufacturing Company, at Berlin Mills, N. H.

Q. You say it had started on an investment of $60,000. Was other outside capital put in also before it sold out, or do you mean to imply that all of the added valuation came from profits?—A. The intention was to imply that all of the added valuation came from profits.

Q. Is your information complete and accurate on that subject?—A. It came from the paper manufacturers—not the identical manufacturers who were in that particular company, but other paper manufacturers.

SOURCES OF WITNESS' INFORMATION.

Q. What are the sources of your information for all of these statements that you have made with reference to these valuations?—A. Years of contact and inquiry in order that I might intelligently buy, buying at one time as much as $2,000,000 worth of paper on one contract, inquiries into methods of manufacture, visiting localities in Canada and in the United States, obtaining the best available information from every source, correspondence with almost every large water power and every large paper manufacturing interest in the East and in some of the West, and inquiry also abroad.

Q. I refer particularly to the valuations that were put upon these different plants by the officials of the combination or by the organizers of the combination when they allowed them these securities.—A. They came from one of the gentlemen who had participated in the appraisement and apportionment of securities.

TERMS OF CREDIT GIVEN IN THE NEWS PRINT PAPER MANUFACTURING BUSINESS.

Q. To go back to the question of the increasing price and of the situation before the combination was made, you said that long-time credits in many cases had been given to the newspapers, and you implied that in certain instances the credits had been given unwisely, so that there was difficulty in collecting them. Would you consider that the interests of the public were served by carrying on business under such conditions, practically forcing very extensive and long-time credits?—A. Those conditions work out their own results. The newspapers collapsed and the paper manufacturers acquired ownership of the newspapers. The credits given prior to consolidation, to the best of my information, were not extensive nor for such long periods as are given in ordinary mercantile pursuits, and there was an average of 30 days for payment.

Q. Has there been any material change in the matter of credits since the consolidation?—A. I have no accurate personal information, because all of the payments with which I have had to do have been on a 30-day basis.

INCIDENCE OF THE INCREASE IN THE PRICE OF NEWS PRINT PAPER.

Q. When the price of news print paper rises, who is it that bears the burden ultimately?—A. That would be a very difficult question to answer. At the most it would be a speculation or guess. In some cases the newspaper might by raising its advertising rates induce the public to share part of that burden; but if the advertisers would pay the additional rates they would pay them whether the price of paper was low or high. In some cases the newspaper, by reason of competition, is unable to raise its advertising rate, it can not raise its retail price for the sale of the paper, and therefore in all such cases this increase in the cost of paper is a direct tax upon the newspaper proprietor.

Q. Do you know whether since the price of paper increased there has been anything like an organized effort on the part of the newspaper publishers to increase the price of advertising in order to recoup?—A. Oh, no. Those conditions are so different in localities, and even in the same locality with the various papers, that no considerable effort in that direction is possible.

Q. You spoke of the increase in the circulation of newspapers and of the lowering of the price previous to the time this combination was formed. Did you mean to state that you thought this lowering of price and increase in circulation was really caused by the low price of paper?—A. Undoubtedly, undoubtedly. A newspaper which had been furnishing a 12-page paper for 2 cents and paying 2½ cents a pound for the paper could increase the size of the paper and reduce the price to 1 cent and then in many cases make as much profit from its circulation and sales as it would on the high retail price of the newspaper and the high cost of the news print paper furnished by the manufacturer. While the margin of profit would be smaller on the 1-cent basis, there would still be some profit on the circulation, and there would be a material increase in the advertising revenues by reason of the greater publicity that was sold to the advertiser and the greater results from advertising.

Q. One frequently hears the statement made that the circulation of newspapers depends primarily on the skill of the editor rather than on the price. That is why I asked this question. Could you, perhaps, express a definite opinion as to how far the matter of price as compared with the skill of the editing room materially affects the circulation?—A. With the larger proportion of newspapers, the price of the paper is the most considerable factor, which is best evidenced by the fact that newspapers with precisely the same management, the same treatment of news, and identically the same news service when reduced from 2 cents to 1 cent have more than doubled their previous circulations.

RELATION EXISTING BETWEEN THE CAPITALIZATION OF A CORPORATION AND THE PRICE OF ITS PRODUCT.

Q. In speaking of the combination and of its capitalization, you said that this high capitalization was a burden that had to be borne by the newspaper publisher. The statement is frequently made that the matter of capitalization has nothing to do with the prices of the product. If the capitalization is higher the dividends, it is said, are simply smaller, and the price of the product is dependent on other conditions. What would you say about a general statement of that kind? How far do you think prices are affected by capitalization?—A. I should hardly like to enter into the domain of that discussion. It is too wide.

Q. You opened it by your general statement that the publishers carried the burden of the capitalization.—A. So they do. Though I will say that the absence of competition, a serious competition, a possible competition, rather than capitalization, is the important factor. The acquirement of all of the materials in the manufacture is the important item. The reason why newspaper proprietors have not built their own mills and become entirely independent of the trust, was because of the general belief among them that under normal conditions (such as have not prevailed during the last 3 years) natural laws of trade would work out such readjustments as would bring prices to a fair figure, and that there was therefore not sufficient incentive for them to undertake that which other manufacturers would enter upon under the premium of competition offered by the International Paper Company.

Q. (By Mr. C. J. Harris.) Has it been your experience as a business man that a high degree of overcapitalization leads to ambitions on the part of the different managers to pay dividends on the watered stock at all hazards, without considering, perhaps, the question of a reasonable price to the consumer?—A. Undoubtedly. If they were fired with a proper ambition and obligation to the stockholders they would raise the price anyhow if they could. It is probably an incentive on their part to a greater effort to do things which otherwise possibly they would not attempt.

REASONS WHY NEWSPAPER PUBLISHERS DO NOT UNDERTAKE TO MANUFACTURE THEIR OWN NEWS PRINT PAPER.

Q. (By Mr. Farquhar.) You said also that the reason why newspaper publishers did not go into the manufacture of news print paper themselves was the expectation that prices in trade would soon come into a normal condition. Do you not think the inducement is always for the investment of capital under abnormal conditions? Are there not greater profits in view now to those who go into paper manufacture than there have been at any other time?—A. Some few of us have personal knowledge of certain publishers who were influenced by those considerations and who did not realize their anticipations; who bought paper mills at a period when prices were abnormally high and who, when prices shrunk from various causes, were restricted by reason of their investment to the purchase of their supply from their own mill; whereas the newspaper proprietor who had not invested in a paper mill was free to go wherever the best offer could be obtained.

Q. Were there any cases of failure in the ownership of paper mills by publishers that you know of?—A. Lack of success; one of them a most colossal failure.

EXTENT TO WHICH THE INTERNATIONAL PAPER COMPANY POSSESSES A MONOPOLY OF THE RESOURCES USED IN THE PRODUCTION OF NEWS PRINT PAPER.

Q. Should we judge from the paper you read that all the spruce timber in the United States is taken up by the International Paper Company?—A. No.

Q. That the water power is taken up by the International?—A. No.

Q. Is there not an abnormal rate now for news print paper in the market?—A. There is. In order that my answers may not carry a wrong implication I should state that a successful paper mill requires 3 elements present at one place, namely, cheap and ample water power, the presence of spruce timber, and cheap transportation facilities. There is, furthermore, an economy in wholesale production, so that mills producing 100 tons or more of paper per day are the mills which can fairly meet competition when it reaches its acute stage. There are not at present many available water powers which are near the spruce supplies and which can be utilized under the conditions I have named. There are some, however, although the consolidators of the International Paper Company said within 2 months after the consolidation there were none. I visited a water power at Millinocket, which was subsequently developed by the Great Northern Paper Company, and from which ultimately with its interest at Madison, there will be a total output of 500 tons per day.

Q. Now, independent of the Great Northern, are there still plenty of opportunities

for the investment of capital in paper making?—A. Well, I have not been able to hear of many of them. For instance, at Massena, where there is a large water power, the timber must come from Canada, and the Canadian reprisals would embarrass any capitalist who contemplated investments at that point. The same is true at Sault Ste. Marie, on the St. Mary River, where on the American side there is a very slim supply of timber. though on the Canadian side there are vast forests of it.

In 1898 I advertised for offerings of water powers and mill sites for the purpose of placing a large newspaper supply; but while I received a great many propositions—received in all about 700 letters relating to water powers—there were comparatively few that were at all available under the conditions just stated.

Q. Will you state to the commission how much of the raw material which is used in the production of paper the International Company controls? I do not say owns, but controls.—A. I am unable to answer your question because it has so many possibilities. For instance, pulp may be used either in the manufacture of news-print paper or it may be used in the manufacture of other articles. The International Paper Company controls a very considerable quantity of pulp. I am unable to give the percentage.

Q. The point the commission would like to get at is this, how far you could characterize their ownership of raw material which enters into the manufacture of paper as a monopoly?—A. Well, I have attempted to give that by showing the extent of their ownership of woodlands.

Q. You say that with the exception of the Northern there is at present no open field for competition with the International?—A. Not that. I think there are great possibilities; but I think those possibilities would be very materially augmented by free pulp; that is, by the admission of mechanically ground wood from Canada, which would save our forests, and thereby promote higher aims than the mere question either of revenue to the Government or protection to an industry that does not need protection.

Q. (By Mr. Phillips.) Is the spruce timber the chief wood?—A. Yes. It makes a whiter sheet, and the surface is smoother and better than that produced from poplar. There are other woods from which sulphite pulp is made, but for them more chemicals for clearing purposes are required than when spruce is used.

PATENTS AND SECRET PROCESSES IN THE MANUFACTURE OF PAPER.

Q. (By Mr. Jenks.) You spoke of the large amount that was allowed for good will in this capitalization. In the manufacture of paper are there many patented processes or patented machines used, or any secret processes that have a special value and that are ordinarily counted in as part of the good will in making valuations?—A. I can not recall any that were acquired by the International Paper Company at the time of the consolidation. There may be some. One was subsequently bought by it—the Russell process for making sulphite pulp, or rather lining digesters.

Q. But speaking generally, you do not think patented machines or patented processes count for very much in the manufacture?—A. I think they are very inconsiderable factors in the question of manufacture.

EXTENT TO WHICH THE CONSOLIDATION REALIZED SAVINGS IN CROSS FREIGHTS.

Q. In speaking of the savings that the International Paper Company proposed to make, you stated that they had made very few.[1] Let us take some of those by themselves. With reference to the saving in cross freights: As a matter of fact, do you think they make much saving there?—A. I have no information excepting that which is given to me by paper manufacturers. I have never had access to the books of any of those manufacturing companies, and I rely entirely on second-hand information; but the paper manufacturers lead me to believe that the railroad freight agents took very good care that whatever readjustments were made were not unprofitable to the railroad companies.

Q. So that the proposed saving failed chiefly owing to the efforts of the railways, and not to a lack of care or skill on the part of the officers of the International Paper Company?—A. Please do not understand me as implying that the officers of the International Paper Company would at any time pay 1 cent more for railroad transportation than they must pay.

Q. Perhaps I might put the matter in another way. Do you think that a widely scattered industry, such as the manufacture of paper is, has the opportunity under normal conditions of saving a good deal from cross freights?—A. I should say that was an entirely reasonable proposition.

Q. In this specific case you think that reasonable expectation was thwarted by the railroads?—A. I think it had a most tangible basis when the company was organized.

[1] See pp. 410, 411, 438.

THE LABOR COST OF MANUFACTURING PAPER SINCE THE CONSOLIDATION.

Q. I understood you to say that the labor cost of manufacturing paper had not been lessened.—A. That was in the paper mill itself, as distinguished from the sulphite mill and the pulp mill. I have information only of the paper mill. There it has been brought down to 11 cents per hundred pounds.

Q. Would not that lessening of the cost imply that there have been improvements in the methods of production under this combination?—A. There have been consolidations and improvements, unquestionably. The company immediately after its organization paid $2,000,000 in order to put its machinery into shape for more effective operation.

Q. Would you say that the International Paper Company had made improvements in methods of production substantially as great as those that were made under the competitive system immediately preceding it?—A. I do not say that. I simply say that immediately following the consolidation it did expend—so the information comes to me from an officer of the company—$2,000,000 in increasing the efficiency of its machinery. But as more than half of that machinery was junk, such a policy was absolutely essential, and was entirely apart from any question of comparison with the methods that had prevailed prior to consolidation. I should say that in view of the fact that not one new paper machine has been built by the International Paper Company, so far as I have any trace, the same stimulus to improvement in manufacture does not exist as prevailed under individual ownership.

COST OF SELLING SINCE THE CONSOLIDATION—CHARACTER OF SERVICE GIVEN.

Q. You spoke also of the cost of selling, and of the high salaries paid to the officials of the International Paper Company. You stated that under the competitive system that preceded, the managers sold their paper without charge?—A. Many of them, not all.

Q. Many of them; but that under the new system there was an expensive selling department. When you say that the managers sold without charge do you mean without any formal charge or without pretending to take any pay?—A. I mean these proprietors were themselves appropriating whatever profit appeared, and that as the actual proprietors of the property they were giving a certain amount of time which they did not give after the control and ownership of the property passed to the International Paper Company.

Q. By giving that attention to the selling work themselves, you would think they were perhaps increasing their own profits and their own dividends enough to cover a specific charge for selling? Or, in other words, do you think that the paper buyer really gained anything by having the manager himself act directly, instead of through an agent?—A. I think undoubtedly the newspaper buyer obtained a better quality paper, more efficient service, and had less occasion for complaints under the system of individual ownership than under the consolidated management.

Q. Do you suppose that in this consolidated company there is any material saving in the cost of selling by having the work of these numerous managers done by a much smaller number?—A. I have no information other than I have given to you, and it would require access to the books of the consolidated company and the individual companies to make that comparison.

EXTENT TO WHICH A UNIFORMITY OF PRICES HAS BEEN REALIZED SINCE THE COMBINATION.

Q. When you spoke of the lack of steadiness of prices under this combination, and gave the example of the two papers, one paying 1.80 and the other 2.15 cents per pound, was that difference due to the fact that the prices were made at different times?—A. At different times.

Q. And one was substantially under a time contract, I suppose?—A. That is right; but it simply illustrated the possibilities of lack of equality in prices under the consolidation, and contradicted the important claim which they had presented at the outset that they would equalize prices.

THE TARIFF ON LOGS AND WOOD PULP—RETALIATORY MEASURES IMPOSED BY CANADA.

Q. In speaking of the tariff[1] on wood pulp you imply that you do not think that any tariff was necessary to protect the industry to a reasonable extent, or to enable the manufacturers of paper to pay reasonable wages to their employees. That is your opinion, is it?—A. Unquestionably.

[1] See pp. 414–419, 439–447.

Q. Do you think, then, that this increase in the tariff was really not due to any necessity of giving a reasonable protection to the industry, but was rather intended to increase the profits of the combination?—A. It was intended to guard against possible competition that might otherwise obtain.

Q. Do you think that it was on account of this tariff that Canada imposed her retaliatory measures of charging for the export of logs?—A. I am positive. I have reason for that statement. The Joint High Commission took up that question. The matter of lumber, paper, and pulp was an element in the treaty negotiations.

Q. I was going to ask if there was any distinction at all in principle between this matter of pulp and that of lumber and logs?—A. What kind of a distinction?

Q. You speak of the duty being placed on pulp at the instigation of the managers of the International Paper Company, so as to lessen competition against them and enable them to control the market better. Do you think the same situation holds with reference to the manufacturers of lumber, or was the duty put on lumber on the ground that it was needed to protect the industry?—A. I know that the manufacturers of lumber who had American interests were extremely anxious to obtain an increase in rate, and that the American manufacturers with Canadian interests were opposed to the duty.

Q. Did Canada retaliate by imposing an export duty on logs in the same way that I understood you to say it did upon pulp?—A. Oh, I don't state that Canada imposed an export duty on wood pulp, but on logs that came from the Crown lands. The Province of Ontario prohibited export, but in the Province of Quebec a license fee of $1.90 was imposed, on which a rebate of $1.50 is paid if the logs are used in Canada; so that logs that come from the Crown lands in the Province of Quebec practically pay an export duty of $1.90 per cord.

Q. (By Mr. Farquhar.) Would you say that the duty on timber and lumber as placed in the Dingley tariff is not on all fours with the duty on pulp?—A. I know nothing about lumber; I know nothing about pulp or paper other than that which relates to news-print paper.

Q. Do you think that the duty imposed in the Dingley tariff on the importation of foreign pulp is an onerous duty?—A. It was intended to be prohibitory.

Q. Well, has it been, or is it?—A. Not quite, for the reason, first, that the spruce consumption exceeded the accessible supply in the United States, and paper manufacturers were forced to go to Canada anyhow; and second, because on account of the drought which began in the fall of 1899 paper manufacturers were forced to go to Canada and pay any price in order to keep their mills going, shifting the burden upon the buyer.

TARIFFS ON WOOD PULP.

Q. Don't you think that the tariff naturally had to change from its position of 10 or more years ago to its present one, owing to the change in the methods employed in the manufacture of paper? The old tariff, I understand, was based upon an earlier system of manufacturing paper in which the manufacture of wood pulp was not at all required?—A. But we had the new system here almost as soon as they had it anywhere else in the world.

Q. Under the present tariff on wood pulp are the rates more protective to the American manufacturer of paper than they were under the earlier tariff referred to?—A. Well, that question is beyond me, because I do not know what the old protection was. It antedates the time of which I have any accurate knowledge, namely, within the last 9 years.

Q. Haven't you a tradition in your paper business that it was entirely prohibitory before?—A. I recall in my younger days reading about "Wood Pulp" Miller, and the efforts which ex-Senator Warner Miller made to protect the American mills against possible competition from abroad; but I do know that wood pulp had been imported.

PROBABLE EFFECT OF THE ABOLITION OF THE PRESENT DUTY.

Q. Would the abolition of the present duty on wood pulp, admitting all the pulp from Canada that you desire, lessen the price of paper to American publishers?—A. Naturally it would reduce the cost of manufacture to the International Paper Company as well as to others, and to an extent it would reduce the cost to the consumer. I maintain, however, that neither the International Paper Company nor any American manufacturer of paper needs any protection. The well-equipped American mill can meet the product of any nation of the world, and further, the American manufacturer is protected by reason of location. He is in the market where his product is consumed, and therefore he is protected against competition by transportation.

Q. (By Mr. LITCHMAN.) You think that is true also along the seaboard?—A. Yes.

Q. Are you not aware that ocean freight in some instances are extremely low?—A. I am not aware of that, but I do know that within the last year they have been extremely high, and that large bonuses have been paid for charters.

Q. It has been testified to before this commission that along the seaboard, and for a certain depth into the country, the privilege of ocean freights more than counterbalances the tariff on certain lines—that freight is for ballast, practically. How far would that apply in the importation of wood pulp if the tariff were entirely removed?—A. That is a question which I am unable to answer, because I do not know what would be the probable freight rates from foreign ports.

Q. Well, assuming that the condition is the same as stated for other industries, is not that at least an argument in favor of the retention of the tariff?—A. I am not equipped with information to answer that question. The ocean-carrying situation for the last year or year and a half has been abnormal, by reason of the demand for transports on account of the war in the Philippines and the war in South Africa.

FURTHER REASONS FOR THE REMOVAL OF THE DUTY—THE PRESERVATION OF OUR FORESTS.

Q. You stated also that the price of paper was affected somewhat by the war with Spain and the war in South Africa?—A. That is true. And I said there were 4 abnormal conditions; first and second, those 2 wars; third, the drought; fourth, the efforts of this company to acquire and monopolize wood lands.

Q. Yet you recommend apparently as the only remedy the removal of the tariff?—A. Outside of the considerations of revenue and protection to labor employed in the paper mills, there is a higher and greater motive in the preservation of our forests, and thereby in the protection of our water supply. To guard these New York State has set aside large areas on which it has prohibited the cutting of timber, the United States and at least 13 of the states have taken most rigorous action, all for the protection of the rivers, and the protection of agriculture and manufacture against the intermittent flow of the rivers, the dangers of which were evidenced only last week by the floods in New England.

Q. What would be the effect upon the United States of transferring that depletion of forests to Canada, and of the change in climatic conditions thereby brought about over there?—A. With Canada's limitless forests, and with the ordinary capacity of those forests for reproduction, all of our timber cutting there for the supply of this pulp wood for newspapers would be more than offset, and Canada is knocking at our doors and begging us to permit her to do it; so that the proposition has all of the elements of good trade because of advantages to both sides.

THE SPRUCE SUPPLY OF CANADA.

Q. (By Mr. CLARKE.) I would like to ask the witness the source of his information as to the spruce supply in Canada?—A. Well, the spruce owners—gentlemen who own thousands of square miles of tracts in their own right; some of the gentlemen now connected with the International Paper Company who are so equipped; reports of their timber inspectors which have come within my knowledge during the last 3 years, some of the information coming within the last 10 days; a newspaper report of a great tract up in Canada, 200 miles from the St. Lawrence.

Q. Your statement was that the region from Labrador and Yukon and St. Lawrence to Hudson Bay is practically a vast area of spruce timber?—A. Almost unbroken.

Q. Do you mean to have us understand, then, that it is spruce, and not other timbers?—A. There are other timbers, but there is considerable spruce—more than enough to meet all of the possible demands or requirements of any interests in the United States. There is a great storehouse of spruce extending along the border.

Q. You have referred to the denuding of the forests in this country by the International Paper Company?—A. By lumbermen—not by the International Paper Company any more than by all of the pulp mills, all of the sawmills or lumber mills, whether they represent any kind of paper or not—timber used in any manner.

ATTEMPT OF THE INTERNATIONAL PAPER COMPANY TO PRESERVE AND RENEW OUR SPRUCE FORESTS.[1]

Q. Are you aware that the International Paper Company not only tries to conserve the growth of spruce, but is also acquiring many mountain pastures and growing them up to spruce?—A. I think that would be a very wise policy; and while I am not aware of it, I do say that they now obtain more than half of their spruce logs from Canada, so that if they are going into speculation to raise spruce lands, as the farmer raises grain, that is an entirely different proposition, and it is entirely apart

[1] See p. 447.

from the question of manufacture—the speculation of a paper company to raise spruce woods for a market 30 years from now. It is precisely the same proposition on a diminished scale as that of the anthracite-coal regions, where the Philadephia and Reading Railroad Company, a prosperous concern earning 22 per cent upon its stock, started in first to insure tonnage for itself, and subsequently to acquire tonnage for the purpose of stopping anyone else from getting it, until it finally broke itself buying coal lands, just as these gentlemen are buying lumber lands, not for the purpose of immediate usage, but for the purpose of speculating in the future supply of that article. The Philadelphia and Reading Railroad Company, as a result of its loading up with anthracite at prices equal to the prices which it would have paid for coal lands if they were to come immediately into the market, encumbered itself with land that could have produced 60,000,000 tons of anthracite coal per annum, and as it could only market from its lands 6,000,000 tons per annum it was forced to charge for every ton of the coal which it took out of the ground a price not only sufficient to cover the royalty for the impoverishment of the land to that extent, but also to cover the expense of carrying the coal remaining in the ground, which it could not take out because it could not market it. Now, if the International Paper Company is to buy spruce lands for a market 30 years ahead, that is entirely proper. It is a field of effort entirely apart from the manufacture of paper; it is a problem entirely distinct from that of the burdens which should be put upon the cost of paper, and if they invest $4,000,000 in woodlands, the carrying charge of that is put upon the present price of paper.

Q. (By Mr. Clarke.) Regardless of the motive of the company or of its financial wisdom——A. (Interrupting.) Which I am not pretending to discuss.

Q. (Continuing.) You made the point that they were injuring the public by denuding the hillsides, and it appears that you now admit that they may be conserving the forests?—A. I do assert that they are not conserving the forests to any extent that will compare with the denudation that is now progressing.

Q. What is your evidence of that?—A. The evidence, first, is the statement as to the amount that is being denuded each year in 4 states, namely, 1,700 square miles, and a mental calculation that it will require 25 to 30 years for the reproduction of spruce forests, and that I am quite confident that the International Paper Company is not conserving forests on that basis, or that any or all of the interests engaged in the conservation of the forest reserves are progressing on the basis of 50,000 square miles of forest preserves, which would be necessary to offset an annual stripping of 1,700 square miles.

Q. Is this a matter of your own opinion, or have you taken evidence on the subject, or made measurements or observations?—A. I have taken evidence from the best available source in the United States, namely, the division of the Bureau of Forestry of the National Department of Agriculture; the reports of the best-equipped forest timbermen in the United States; a report of the best-equipped timberman in the United States, whom I understand to be Mr. Crawford, and various publications relating to the timber supplies, including the reports of the forest commissions of the various states; the figures of the United States Geological Survey, and of the Department of the Interior.

Q. You have taken all that knowledge?—A. All that knowledge.

Q. Yet you testified a few minutes ago that you knew nothing about timber except as it is used in the production of wood pulp for newspaper use?—A. Except as it affected directly the news-print paper.

Q. Do these various public reports and fragmentary reports to which you refer take into account the effort being made by the International Paper Company to conserve its spruce supply?—A. They do not, except that I have read in the announcements made to the American Paper and Pulp Manufacturers' Association by officers of the International Paper Company that it was making efforts in that direction.

THE ABUSE OF OUR FORESTS—EFFORTS FOR THEIR PRESERVATION.

Q. Do these official reports you refer to make any special complaints against the pulp men?—A. The burden of all of the official reports is that the pulp men especially have been cutting timber that was too small for the lumber men, and that when they stripped they left no capacity for reproduction.

Q. (By Mr. Clarke.) Don't all of those statements relate to practices in former years rather than in very recent years, since the International Paper Company was organized?—A. Those reports were obtained by me in January, 1899, just 2 years ago, from the various departments in Washington and New York.

Q. Are you able to state what periods they covered?—A. They covered recent periods—periods immediately prior to 1899. The brief which I have submitted here states all of the work done by the various states, the creation of commissions, the

action of the irrigating congress, and the various acts of Congress, and the proclamations of the President setting aside lands, and the work of the various states in protecting and preserving the forest resources.

Q. Is that the brief[1] which you presented to the Joint High Commission?—A. Yes.

Q. Did the International Paper Company present a brief[2] to that commission?—A. I do not know. We never obtained accurate information of any open or public statement having been made to the Joint High Commission by the International Paper Company, though there was a belief that it was not idle or silent in that discussion.

Q. You are not aware, then, that they answered your statement?—A. I am not aware of it, and doubt if they could effectually answer it.

THE TARIFF ON WOOD PULP (RESUMED)—ITS EFFECTS—DESIRABILITY OF ITS REMOVAL

Q. Now, you have spoken of the tariff on wood pulp. Is it your belief that if the present duties were repealed, and wood pulp were made free, that the effect would be to cause pulp to be imported in large quantities, and that the price of newspapers would be reduced in consequence?—A. My judgment and best information is, that if wood pulp could be introduced free of duty the cost of capitalization of paper-mill plants would be reduced to $3,000 per ton daily output; that the large item of expenditure in a paper-mill plant is the development of water power for the grinding of the wood, and for the installation of the grinders, and that with free wood pulp brought from Canada, paper mills could be established in the United States at that small valuation at points which are now impossible by reason of the fact that the grinding of the pulp requires so much power in order that it may be done cheaply, and that with free pulp extensive plants could be established in all parts of the country, especially along the border and along the coast; that that would materially reduce the price of all kinds of paper, while protecting the forests, and not seriously menacing the paper manufactures.

Q. Well, if you would admit pulp free, you would also admit lumber free?—A. I prefer not to enter into a discussion of any tariff subject except that of pulp and paper. I believe, individually, that the introduction of free lumber would be a national boon.

Q. You have spoken of the effect of this tariff which you said was designed to enable the International Paper Company to monopolize the business in this country, but you have also stated that recently a large and formidable competition with the International Paper Company has been developed?—A. That is accurate.

Q. The tariff, then, has not stood in the way of the development of this competition, has it?—A. I think that up to this time the tariff, to the extent that it has stimulated prices, has had a tendency to put a premium upon competition. Please do not misunderstand me. So far as the tariff on paper is concerned, I think that regardless of any tariff provision the natural laws of trade will work out the proper logical result, and that paper will be cheapened under normal conditions regardless of the tariff; but I do object to any combination of manufacturers taking advantage of Congressional legislation to increase the price of an article which is a raw material to a very considerable American industry, and to put a tax upon knowledge and upon the spread of intelligence. I think, however, that natural forces will in the course of time work out the logical result and cheapen the price of paper, but that in the competition and conflict which will ensue there will be a very considerable destruction of great national treasures—our forests.

Q. Do you think that the Great Northern Paper Company would likely have been formed to compete with the International Paper Company had they not felt reasonably sure of tariff protection?—A. Well, I can not answer. I should say that the tariff was not a deterrent in that investment. If, however, there had been no tariff on wood pulp I think that the establishment of American paper mills would have been very much larger than that which has actually occurred under the tariff.

Q. Do you believe in protection or in free trade?—A. I believe in tariff for revenue only.

REMOVING THE DUTY THROUGH A RECIPROCITY TREATY WITH CANADA.

Q. If we maintain a protective policy, do you think it would be possible to take the duty off pulp without somebody proposing to take it off lumber also, and then from a great many other articles along the whole line, so that the single proposition which you make would lead to a general tariff revision?—A. Not necessarily. A mere establishment of reciprocal trade relation with Canada would not necessarily involve a new tariff bill. The process would be entirely different. Instead of a tariff bill passing there would be a treaty of reciprocity between Canada and the

[1] See pp. 414–419. [2] See pp. 440–445.

United States, which would be upon an entirely different basis from any general tariff revision.

Q. Are you familiar with the operations of the last treaty of reciprocity between the United States and Canada, and do you know why it was denounced and abandoned?—A. I am not; I do not know that there is or has been any.

EFFECT OF THE INCREASE IN THE PRICE OF PAPER UPON THE LABORERS ENGAGED IN THE NEWSPAPER INDUSTRY.

Q. (By Mr. JENKS.) You made the statement that the interest of labor in the manufacture of paper was, in your judgment, considerably less than the interest of labor in the newspaper industry.—A. The latter is 40 times greater.

Q. Do you think that, as a matter of fact, the increase in the price of paper has injured the laborers interested in newspapers, or cut their rates of wages?—A. Not at all.

Q. As a matter of fact, then, you think that the increase in the price of paper has not been borne by the labor engaged on the newspapers, but rather by the general public which takes the product?—A. Newspaper labor prices have participated more or less in the higher level of wages which has obtained.

EXTENT TO WHICH THE INTERNATIONAL PAPER COMPANY HAS BEEN A FACTOR IN BRINGING ABOUT THE PRESENT ABNORMAL CONDITIONS IN THE PAPER INDUSTRY.

Q. You spoke of three or four elements that had contributed to increasing the price of the paper?—A. Making the abnormal conditions.

Q. Could you give any kind of estimate as to the extent to which the combination has been a force in bringing about those results as compared with the other forces?—A. I would not undertake to do that, except to say that the International Paper Company started a competition with itself and stimulated prices, increasing the cost of manufacture to an extent, and increasing very considerably the price of paper to the consumer, by reducing the number of interests which have to be considered in establishing prices or in quoting prices to the publishers.

Q. Well, had the International Paper Company not been formed, do you not think that, owing to these other facts you have spoken of, the price of paper would have been increased somewhat?—A. Unquestionably somewhat, because the demand at one time, immediately after the opening of the Spanish-American war, grew excessive.

Q. Do you consider that the statements you have made with reference to the effect of the International Paper Company, and to its lack of success in the carrying out of its intentions as regards savings, would apply pretty generally to all industrial combinations, or is this a peculiar exception?—A. I would prefer to limit my statements and opinions to the International Paper Company.

Q. You do not care to speak on the general question of industrial combinations?—A. No; I do not.

PROBABLE EFFECT OF A REMOVAL OF THE TARIFF UPON THE LABOR EMPLOYED IN THE NEWSPAPER INDUSTRY.

Q. (By Mr. LITCHMAN.) The reduction of the tariff as proposed by you would be felt immediately, would it not, by the labor employed in the pulp mills of the United States if that industry were transferred to Canada?—A. I think not.

Q. Where would they find employment if the industry were transferred to Canada?—A. I think they would find employment where they do now. I think there would be a greater stimulus to the development of manufacture. I think there would still be a very considerable manufacture of pulp from timber in the United States.

Q. Do you think that if the tariff were taken off wood pulp there would be any rise in wages of the workmen employed in making newspaper?—A. I do not think that that would materially affect wages. The wages of newspaper employees are subject to general conditions and not to that one especially.

Q. Are the newspapers of the United States subject to any foreign competition?—A. None that is material.

Q. Well, are they subject to any?—A. Practically none. Ordinarily I would not hesitate to say absolutely none, only there might be some few isolated cases of foreign papers right here that are not factors.

Q. In view of this fact, then, is it a fair comparison to say that 40 people are employed in the making of newspapers to one employed in the manufacture of wood pulp, and from that draw the deduction that it would be a benefit to the 40 men to

remove the tariff from wood pulp?—A. I think they would participate in the general prosperity following the removal of the tariff and the removal of this tax of $4,800,000 on the newspaper proprietors, and that the effect upon the employees of the newspapers would be much greater in the aggregate than it would be on the labor in the wood-pulp mill. This must naturally be the case if publishers of one paper, for instance, pay as much as $150,000 per annum in the increased cost of paper supply.

Q. Do you think it would add a single cent to the wages of any printer employed on your paper?—A. I think that greater prosperity in the newspaper trade would be reflected in better pay for all of the employees.

Q. Is not the pay of the employees fixed by a scale fixed by the typographical union? I am speaking now of the printers.—A. Yes.

Q. Is your paper a union office?—A. Yes.

Q. Then you pay the union scale of wages, do you not?—A. We do. Please do not particularize my own paper. I am not appearing here as a representative of that paper.

Q. I understand that.—A. I do not want my testimony to be construed as giving the attitude of any newspaper on this question.

Q. (By Mr. LITCHMAN.) Have wages been increased in any newspaper offices during the last 4 years?—A. No.

Q. Then they have not participated?—A. I have said that they have been affected by the higher level of wages which has generally obtained.

Q. Then they have not been affected by the organization of the International Paper Company?—A. Not that I have any general knowledge of. There are cases such as the consolidation of newspapers, one of which has occurred recently in Chicago, where a number of employees have been thrown out, and where, by reason of an increase in the price, the circulation has naturally been reduced to some extent.

THE SIZE OF NEWSPAPERS—HOW AFFECTED BY THE OPERATIONS OF THE INTERNATIONAL PAPER COMPANY.

Q. (By Mr. KENNEDY.) I believe you contend that if it were not for the operation of this trust there would be more paper used—newspapers would get out larger editions?—A. As a result of lower prices for news-print paper there would be an increase in the consumption. I know of one paper in particular which has curtailed its size because of the increase in the price of paper—not the Times.

Q. Then, if it were not for this curtailment there would be more printers employed, more pressmen employed, more ink manufactured, and so it would go all down the line—there would be more employment for those engaged in the printing business, and therefore greater prosperity in the trade?—A. That is true.

RECENT INCREASE IN FREIGHT RATES ON THE TRANSPORTATION OF PAPER.

Q. You said something about the transportation companies putting up the rate 2 cents.—A. Within the last 2 weeks.

Q. I would like to ask you how that was accomplished. Was it accomplished by raising the classification or by changing the rate on paper?—A. I do not know. All I know is that a paper manufacturer told me that he had received notice of an increase of 2 cents a hundred pounds on his rates.

Q. Mr. Langley, of New York, said that the transportation companies had attempted to increase the rate by changing the paper from one classification to another, and that this trust was powerful enough to prevent that. Do you know anything about that?—A. I do not.

(Testimony closed.)

WASHINGTON, *May 18, 1901.*

TESTIMONY OF MR. HUGH J. CHISHOLM,

President of the International Paper Company.

The commission met at 3.40 p. m., Chairman Kyle presiding. At that time Mr. Hugh J. Chisholm was introduced as a witness, and, being first duly sworn, testified as follows:

Q. (By Senator KYLE.) Give your name and post-office address.—A. Hugh J. Chisholm, No. 30 Broad Street, New York City.

Q. (By Mr. JENKS.) You are the president of the International Paper Company?—A. Yes.

Q. I understand that you have prepared a brief statement in answer to the questions that were suggested to you. If you will present that first, we can afterwards ask specific questions.—A. I have prepared this rather hurriedly, but I think it covers, in the main, the points asked for. (Reading:)

CONDITION OF PAPER INDUSTRY BEFORE ORGANIZATION OF INTERNATIONAL PAPER COMPANY.[1]

"*Question 1.* In what condition was the paper industry in the United States before the organization of the International Paper Company?—*Answer.* The condition of that portion of the paper-manufacturing industry engaged in manufacturing news paper was such that there was more news paper manufactured than the consuming power of the country could take. As a result of reckless competition for business and the unbusiness-like methods in vogue, the forms of contracts and the conditions under which paper was sold to the consumer, and the whole question as to what price the manufacturer was to receive for his paper, had practically passed out of his hands into those of the middleman and the consumer. The net results were such as to make no adequate returns upon the capital invested in the manufacturing of news paper."

Q. (By Mr. JENKS.) May I ask what is the nature of the business of the International Paper Company? What is the nature of its product?—A. The International Paper Company owns and operates 32 plants, with a total capacity of about 1,500 tons of paper, representing in quality the kinds that are used in printing newspapers, magazines, Bibles, manila paper, cardboard, and a variety of other kinds of paper, the chief component part of which is wood. The company owns water powers and timber lands, some of which are in use and others yet to be developed.

Q. You are large manufacturers of the print paper used in newspapers?—A. Yes; we are the largest, possibly, in the world.

Q. In the answer which you have just read, as to the condition of the paper industry before the organization of the International Paper Company, you limited your statement to the condition of the print-paper business. Now, how about the condition of the other lines of the paper business?—A. At the present moment I can not recall, but I do not think they were in as bad condition as the news paper part of the business was. (Reading:)

REASONS FOR THE ORGANIZATION OF THE INTERNATIONAL PAPER COMPANY.

"*Question 2.* What are the reasons which led to the organization of the International Paper Company?—*Answer.* After several meetings of leading manufacturers engaged in the manufacture of news paper, it was unanimously agreed that if there could be one company formed which should purchase and own outright the leading and best mills engaged in the manufacture of news paper, with a capacity to manufacture from 1,200 to 1,500 tons per day, a more uniform and better quality of paper would be manufactured. It was also believed that economies could be made in the manufacture and distribution of the product which would enable the new company to manufacture and distribute these products at a less cost than it would be possible for any single mill to do, since the new company would unite all the best talent engaged in the manufacture of news paper, subdividing the work and putting at the head of each of the subdivisions men who were best qualified to perform the respective work assigned to them. It never was the object in any of these conferences to make a monopoly of the business by attempting to control the output of all mills, for there are 1,200 pulp and paper mills in the United States, all engaged in the manufacture

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[1] See p. 408.

of various kinds of paper. The paper machine is practically the same whether it is used for making book paper, manila paper, or news paper. It is very difficult to say where the news paper ends and certain grades of book paper begin. In fact, quite a percentage of the output of the International Paper Company is used as book paper.

ORGANIZATION, FINANCIERING, AND CAPITALIZATION OF THE INTERNATIONAL PAPER COMPANY.[1]

"*Question 3.* Method of organization, financiering, capitalization, issuance of stock, etc.?—*Answer.* A representative committee was appointed, consisting of the practical men and large owners of the different plants, who visited and examined each plant which it was intended to purchase; then all agreed upon the price which should be paid for each plant, the representative of each company finally accepting the award. A second committee was appointed to appraise the timber lands owned by the different companies, and their valuations were accepted by the owners. The gross amount received by each company was paid to it in the securities of the new company. There was no promoter, underwriter, or any other party engaged directly or indirectly in the formation of the International Paper Company, except the owners, and the attorneys who were engaged to do the legal work, the committees making no charge for their services. Not a dollar was paid for promoting; each company sold outright all its properties to a purchasing committee, who in turn conveyed them to the International Paper Company upon its formation. Bonds were sold at par to furnish the International Paper Company with a working capital, the proceeds of which all went into the treasury of the company."

Q. (By Mr. JENKS.) Was it generally known to all the manufacturers what each was to receive?—A. Not at all. I was one of the committee. We first tried to arrive at a proper and fair valuation for all purposes, realizing that it was not a case of sale, but that the object was to buy the properties for purposes of combination, at a fair valuation. So when we came to consider a man's property he withdrew, and the consideration was confined to the examination of that property and what we should agree to pay for it. When we tried to agree upon a valuation of the properties, the difficult problem was what was fair and right, and we had no end of trouble. Some companies were capitalized at a very low capitalization—why, their water powers were worth four times their capitalization. Created 40 years before, perhaps, and that amount kept on the books; or as in the case of one company which had a capitalization of $300,000 and $2,000,000 worth of actual property, it was thought best to keep the capitalization down to keep away from taxes.

Q. Did the committee agree on any basis of valuation dependent upon tonnage of daily output, for example?—A. The conditions of the different plants varied so that the valuation was a very difficult problem. Everything was taken into consideration. Here was a very valuable water power, and there was a mill in close proximity to timber lands. The relative position and the question of transportation from pulp mill to paper mill had to be taken into consideration. At no time during the early part of this valuation was the question ever settled as to what we were to be paid in. We were simply to be paid in what we regarded as the value of the stock. We were to be paid in what we considered the properties worth as a whole, present and prospective.

Q. Some suggestions have been made with reference to the capitalization of the company; that plants which had not been running at all for some years were taken in on a valuation of $22,000 per ton of daily output.—A. The tissue of errors and false representations that have been presented by some persons is marvelous.

Q. I want you to explain somewhat carefully and in detail the general basis of valuation as far as you can.—A. I very seriously question whether you could to-day duplicate the property now owned by the International Paper Company for its capitalization, including both common and preferred stock at par. I mean to put myself right on record on that point.

Q. At the time the company was organized, was there any definite intention, as there has been in so many cases, of having the preferred stock represent the tangible property and the common stock the good will?—A. That is a very difficult question to answer. I will state that in the case of my own company—the Otis mill—we had upon our books a valuation of $40,000, and we would not have taken $200,000 in cash for it. It was a water-power development which we had bought years and years before for a very small sum of money, and the increased value of that one item alone was such that it is to-day very valuable.

Q. I was not asking as to the question of your previous capitalization, but whether in making your inventories you attempted to distinguish sharply between the value

[1] See p. 409

of tangible assets, which would include, of course, your water powers, and your good will, which would include special processes?—A. I do not know how I can answer your question any clearer than I have. When we arrived at the valuation of these companies we received nothing except certificates of paper. We received our payment by means of a sheet of paper representing so many shares of stock in exchange for our establishments.

Q. Did you receive equal amounts of common and preferred stock?—A. No.

Q. What is the capitalization of the International Paper Company?—A. The authorized capitalization is $25,000,000 of preferred and $20,000,000 of common stock. There has been issued $22,000,000 of the preferred and about $17,000,000 of the common—maybe a few hundred thousand more.

Q. Are there any bonds?—A. Yes.

Q. What bonds are there?—A. Authorized issue of $10,000,000, and there has been issued about $9,000,000 of the consolidated bonds; then we have purchased properties since the International Paper Company was formed, and in the purchase of these properties we have allowed bonds to stand out on them carrying rates of interest from 4 to 6 per cent.

Q. Then were all the different interests on the same basis as regards the proportion of preferred and common stock which they received?—A. Just exactly, as far as the valuation was concerned.

Q. They all received on the same basis a certain proportion of bonds and a certain proportion of preferred and common stock?—A. Yes; and possibly it would be well to explain here why they received any bonds. There were some of the plants that had existing mortgages on them that could not be retired, having some 15 years to run. There were other plants that had a preferred stock with a form of mortgage, which the men that controlled the property could not retire. In this case the aggregate was taken into consideration and the men who had no mortgages on their plants received bonds. We had to issue bonds to put in trust companies to meet these bonds as they became due on these properties. Now, to equalize the other people, they having agreed to sell their property at a fixed price—to equalize their holdings on the same general plan—it was agreed that a man who had a mortgage on his property should receive the same percentage that the others had received, but his preferred stock was kept back.

Q. Now, will you go on with the other questions?—A. (Reading:)

EFFECT OF THE COMBINATION ON PRICES[1]—NEW CONDITIONS OF SALE CONTRACTS.

"*Question 4.* Effects of the organization on prices.—*Answer.* (a) Prices: It is generally accepted that the news paper manufactured from wood in the United States is the best in the world, and that for the past 3 years American newspaper publishers have bought and are now buying their paper cheaper than any other purchasers of news paper in the world."

Q. (By Mr. Jenks.) As regards the matter of prices: What has been the range of prices since the organization of the International Paper Company as compared with 2 or 3 years preceding?—A. Previous to the organization of the International Paper Company there was a form gone through of making out a bill and sending it to the publisher, but in a great many cases the amount received for the paper was so different from the amount of the bill that there was not any price. In other words, the manufacturer supplied the newspaper with paper; a contract was made whereby it was guaranteed that the paper furnished would produce so many perfect sheets of paper, which amounted to a guaranty, on the part of the manufacturer that the printer would run his printing presses correctly, free from all abuses, breakdowns, etc. The accounting to the manufacturer was usually done by a young man employed by the newspaper, who stated how many perfect papers were printed, and the result was the price the manufacturer received for the paper. So the original invoice was torn up and thrown in the waste basket, and a statement sent to us that there was a certain number of perfect copies of paper, and that we were entitled to so much money. Now, can you tell me what price I got for paper?

Q. You mean to say that the contract price for paper was materially different from the real price as eventually fixed?—A. I stated the basis by which the price was determined, the contract being that for so many thousand pounds of paper of such and such a size so many newspapers could be produced, and that payment was to be based on the finished copies of paper that came out of the printing press; but they told you the number that the press printed, and you had no way of verifying it.

Q. So the matter was left to the counting of the clerk of the paper consumer?—A. I do not mean to imply that all paper consumers had other than straightforward

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[1] See pp. 411-12.

men. I simply stated that it was very difficult to tell what a man got for his paper because of the conditions under which it was sold.

Q. There was, I suppose, no other way for the manufacturers of paper to find out what the price was except by ascertaining what the results were?—A. It was very unsatisfactory. I could not tell you to-day the absolute price which I got for the paper. I would have to go back and refer to the books.

Q. You could state whether during the year or two which followed the organization of the International Paper Company the returns were much more satisfactory to the manufacturers?—A. Well, the International Paper Company lost in the rebate business between $500,000 and $700,000 in the first year of its existence.

Q. The form of doing business, then, was not changed immediately after the organization of the International Paper Company?—A. A great many contracts were inherited by the International Paper Company, as that company had to carry out all the contracts of the constituent companies. Whatever they were, the contracts were carried out and are still being carried out.

Q. After the formation of the International Paper Company, was the form of new contracts changed so that the business was done in a way that the manufacturer could count on more certainly?—A. About a year and a half ago the paper manufacturers of the United States came together at one of their annual meetings, and adopted what had been adopted in England, with one or two modifications, a standard form of contract which made a price on the paper, and if the paper is not satisfactory they remedy it.

Q. (By Mr. Kennedy.) Do you now sell paper at so much a pound without any redress in case some is spoiled?—A. Oh, they are not required to take it at all.

Q. Suppose consumers do take an immense quantity, and they find after it is put on the presses and rolled out that it is poor paper; do they have redress then?—A. If they accept the paper which we deliver them, it is a sale.

Q. There is no discount, then?—A. No. I do not mean by that but what if they were to call our attention to any irregularities on goods that were not up to the samples of paper we should make them an allowance regardless of the basis of the contract. But we have to be consulted a little on that proposition, whereas before we were not consulted. Our relationships with the publishers to-day are of the most friendly nature and most satisfactory, as far as I know, and some of my best friends, I hope, are among the publishers. There is no antagonism at all between the International Paper Company and the publishers.

EFFECT OF THE COMBINATION ON PRICES—REASONS FOR INCREASED PRICE OF PAPER.

Q. (By Mr. Jenks.) At what time was the International Paper Company organized?—A. January, 1898.

Q. Since the organization, has there been any increased demand for paper that led to an increase in the price? For example, during the year 1899?—A. After the Spanish war came on the demand very much exceeded our ability to supply. The outside mills and the jobbers found a scarcity on account of our inability to supply the market, and the price of paper went up very materially. I think the price went up as much as half a cent or three-quarters of a cent a pound. But, as a matter of fact, the annual sales of the International Paper Company showed but very little increase, because we had contracts, every one of which stood, and our average price as a result was rather low. We found in some cases that friends were desirous of helping friends, and their consumption was very much in excess of normal because they passed the paper over to their neighbors, who would otherwise have to pay a higher price.

Q. (By Mr. Farquhar.) What was the price of news-print paper before you made the consolidation?—A. Here is a table of prices commencing in 1890 and coming down to April, 1900. These prices are the prices per pound on yearly contracts for large quantities of news paper:

	Cents.		Cents.
1890	3.61	1896	2.35
1891	3.12	1897	2.18
1892	3.12	1898	2.02
1893	2.90	1899	2.
1894	2.75	April, 1900	2.75
1895	2.40		

Q. Is it not a fact that you sold news-print paper for less than 2 cents a pound before you consolidated?—A. Yes.

Q. And you are selling it for a good deal more now?—A. No; the average price of our paper is not a good deal more.

Q. I want to ascertain the reason why you have raised your prices a large percentage over the selling prices before the consolidation in January, 1898.—A. As I have endeavored to show, the prices prevailing previous to the consolidation were not sufficient for adequate returns to the investor of capital.

Q. (By Senator KYLE.) Is your increased price on the theory that everything has advanced in price?—A. Oh, the principal things going into paper have increased in price. I would answer your question in another way. Our principal effort has been to improve the quality of paper as much as to reduce the cost of making it; and to-day we are manufacturing a uniform sheet of paper that runs from 10 to 20 per cent better than it was when the mills were taken by the International Paper Company. Now, with the improved quality of that paper, it costs more to make it.

Q. (By Mr. FARQUHAR.) That is a good enough explanation for your one mill, the Otis Falls mill?—A. No; that applies to all of our mills.

Q. Is not worse news-print paper used in New York City now than 5 years ago?—A. Not if manufactured by the International Paper Company; there may be inferior grades made by outside mills. Our poorest mills in the International Paper Company will to-day average 20 per cent better paper, tensile strength, finish, and all the qualities that go to make up the paper being considered. To-day the most pleasant relationship exists almost universally between our customers and ourselves, and there is an appreciation both of the treatment they have received and the prices that are being made to the great consumers of paper in this country.

Q. (By Senator KYLE.) You give the improved quality as one reason for the increase of price. Is there any other?—A. Before the consolidation the paper had been sold at a less price than the individual mills could possibly make it, and bankruptcy was staring them all in the face. The product of a plant that cost $2,000,000, we will say, did not give any adequate return nor anything approaching it. Furthermore, in the creation of a plant to manufacture news paper the investments will average certainly double, maybe 3 times, the annual gross sales from the plant; so that in order to turn the capital invested in the plant it requires 3 years' business. Now, if you are seeking a profit of 8 per cent, you must get approximately 24 per cent upon your output to get any kind of a return upon your money. I imagine that it is for this reason that some of the publishers of the country have been so loath to part with their money and go into the business of manufacturing paper.

Q. (By Mr. FARQUHAR.) The claim has been made in evidence before this commission that previous to your consolidation print paper sold as low as 1.6 cents per pound, and that the present rate is over 2 cents; you say 2.75?—A. I think you must refer to the statement by a man who was formerly connected with one of the New York papers, which made an exceptionally low contract some years ago.

Q. Was the true reason for your increased prices that your company intended to raise prices so as to realize a profit of 8, 16, or 24 per cent?—A. I fail to understand the criticism upon the policy of selling the product at a price that makes a fair return for it only, and which still enables the consumer to get it cheaper than he can get it anywhere else in the world. The great bugbear suggested by some persons is that consumers will go to Canada for their paper. Now, as a matter of fact, you can buy paper cheaper in New York and Boston to-day than you can in Montreal and Toronto, and the newspapers on this side get it the cheapest.

QUANTITY OF WOOD PULP AND OF MANUFACTURED PAPER CONTROLLED BY THE INTERNATIONAL COMPANY.

Q. How much of the whole product of paper manufacturing—book paper, news paper, etc.—does this International Paper Company control in the United States?—A. I have no positive figures to work on here, but it is supposed that, generally speaking, we produce 75 per cent. I think possibly I would reduce that to about 70 cent. This is guesswork on my part, because I have no positive figures.

Table showing the daily capacity (not production), in pounds, of the paper and pulp mills of the United States now running, as reported by manufacturers for insertion in the twenty-fourth edition of Lockwood's Directory of the Paper Trade, 1898–99.

[Prepared by the Howard Lockwood Publishing Company for the use of the trade.]

State.	Fine paper.	Book paper.				News.
	Writing.[1]	Book.[2]	Cover.	Plate, lithograph, map, etc.	Cardboard, card middles, tickets, etc.	Roll.
Colorado	16,000	16,000				
Connecticut	36,000	84,000	15,000		21,500	34,500
Delaware	5,000	40,000				25,000
District of Columbia		5,000				
Georgia		5,000				
Indiana		50,000				20,000
Kentucky		25,000				
Maine		202,000				845,000
Maryland		163,000				14,000
Massachusetts	585,200	435,000	23,000	63,500	82,500	259,000
Michigan	17,000	132,000	18,000	30,000	4,000	54,000
Minnesota						59,000
New Hampshire		103,000			8,000	347,000
New Jersey	4,000	20,000				
New York	52,000	309,000	35,000		15,000	1,881,000
North Carolina						7,000
Ohio	50,000	173,000		2,000		14,000
Oregon						130,000
Pennsylvania	127,500	368,500	15,000	37,000	12,000	
Tennessee		4,000				
Texas		6,000				
Vermont	16,000					222,000
Virginia	16,000	6,000			4,000	
Washington		12,000				12,000
Wisconsin	118,000	23,000	10,000			792,000
Total	1,042,700	2,181,500	116,000	132,500	147,000	4,715,500

State.	Wrapping.			Boards.		
	Manila, real and bogus.	Heavy wrapping.[3]	Straw wrapping.	Binders and trunk.	Leather.	Press and album.
California	8,000	12,000		4,000		
Colorado		2,500	2,500			
Connecticut	48,000	31,000	24,000	60,800	22,800	22,000
Delaware	17,000					
District of Columbia	3,000					
Georgia	36,000					
Illinois		6,000	191,000			
Indiana	62,000	10,000	56,000	30,000		
Iowa		8,000	42,000			
Kansas	10,000		17,000			
Maine	233,000	20,000			31,000	
Maryland	48,000	2,500	31,000	3,000		
Massachusetts	168,000	73,000		8,000	29,000	2,000
Michigan	8,000	64,000	49,000	4,000		
Minnesota	15,000	15,000				
New Hampshire	85,000				19,500	
New Jersey	82,500	16,000		38,000		
New York	539,000	67,000	126,000	60,000	10,000	5,000
North Carolina	6,000					
Ohio	253,500	60,000	109,000	42,000		
Oregon	40,000		20,000			
Pennsylvania	328,000	13,000	15,000	46,000	3,000	21,000
South Carolina	16,000					
Tennessee	6,000					
Texas	15,000		5,000			
Vermont	142,000				6,000	
Virginia	10,000					
Washington	24,000	12,000				
West Virginia	7,000		19,000			
Wisconsin	133,000		50,000			15,000
Total	2,343,000	412,000	756,500	295,800	121,300	65,000

[1] To include all grades of bank-note, ledger, flat and folded, tub and engine sized, envelope, parchment, bond, record, and drawing papers, telegraph and writing manila, etc.
[2] To include all grades of book paper not otherwise specified.
[3] To include hardware, ham, express, tobacco, and mill wrappers, etc.

Table showing the daily capacity (not production), in pounds, of the paper and pulp mills of the United States now running—Continued.

State.	Boards.			Tissues.[1]	Blotting.	Building, roofing, and sheathing.
	Straw boards.	Wood pulp board.	News boards.			
California	4,000					
Colorado						2,500
Connecticut	15,300	24,000	100,000	23,200	6,000	15,500
Delaware				180		
Georgia					1,000	
Illinois	330,000					30,000
Indiana	472,000	80,000	16,000	4,000		80,000
Iowa	30,000					
Kansas	7,000					
Maine		88,000				
Maryland	34,000					2,000
Massachusetts	26,000		20,000	35,250	20,000	46,000
Michigan	57,000			4,000	10,000	9,000
Minnesota						25,000
Missouri	3,250					
New Hampshire	14,000			18,250		
New Jersey	86,000	10,000	120,000	63,000		47,000
New York	109,000	145,000	76,000	95,250		126,000
Ohio	569,000	50,000		8,000	12,000	60,000
Pennsylvania	18,000		30,000	25,500		222,000
Tennessee		8,000			2,000	
Texas						4,000
Vermont	5,000	29,000		14,500		
Virginia	20,000			2,000	20,000	
West Virginia	24,000					
Wisconsin	15,000	20,000		47,000		25,000
Total	1,838,550	454,000	362,000	340,130	71,000	694,000

State.	Carpet lining.	Curtain and hanging.	Miscellaneous.[2]	Ground wood pulp.	Soda fiber.	Sulphite fiber.	Total by States.
Alabama				4,000			4,000
California				20,000			48,000
Colorado	2,500			32,000		16,000	90,000
Connecticut		3,500					587,100
Delaware					70,000		157,180
District of Columbia							8,000
Georgia				9,000			51,000
Illinois	20,000			20,000			597,000
Indiana	4,000			186,000	90,000		1,160,000
Iowa	4,000					10,000	94,000
Kansas							25,000
Kentucky							3,515,000
Maine				1,326,000	210,000	560,000	34,000
Maryland		10,000		25,000		160,000	492,500
Massachusetts	32,000	47,000	15,000	102,000		60,000	2,131,450
Michigan				134,000		106,000	700,000
Minnesota				62,000			176,000
Missouri							3,250
New Hampshire				437,000		460,000	1,491,750
New Jersey	13,000						499,500
New York	28,000	186,000	94,000	2,788,000	164,000	715,000	7,625,250
North Carolina				5,000			18,000
Ohio	20,000			14,000	30,000	36,000	1,502,500
Oregon				123,000		52,000	365,000
Pennsylvania	17,000	15,000	6,000	88,000	375,000	90,000	1,872,500
South Carolina						12,000	28,000
Tennessee				4,000	24,000		48,000
Texas							30,000
Vermont		10,000		388,000		60,000	892,500
Virginia				12,000	40,000		130,000
Washington				20,000	30,000	15,000	125,000
West Virginia				90,000		50,000	190,000
Wisconsin	25,000			886,000		437,000	2,596,000
Total	165,500	271,500	115,500	6,775,000	1,033,000	2,839,000	27,287,480

[1] To include all grades, colors, and kinds of stock; toilet, carbon, copying, and cigarette papers, etc.
[2] To include ribbon, tea, and all papers not classified elsewhere.

Q. (By Mr. Farquhar.) How many independent print paper mills are there in the United States?—A. I do not know.

Q. Have you any idea what their output is?—A. Well, if my former statement is correct, their output would be 30 per cent of the total produced.

Q. What has been the cost per ton of wood pulp before your consolidation and since?—A. Oh, from $15 to $25 a ton.

Q. Does your company control nearly all the wood pulp of the United States?—A. No.

Q. Who controls it?—A. The men engaged in manufacturing wood pulp.

Q. Are you buyers of wood pulp?—A. Not this year. We used to make about 900 tons of pulp a day, now we make about 1,100. If you want the exact per cent I will give it to you, but there are certain periods of the year when we may run short a little and then we go out and buy; but this past year we have been making practically all of our own pulp. If the other mills are making any pulp, they are selling it to other people.

ECONOMIES WHICH HAVE BEEN EFFECTED BY THE COMBINATION.[1]

Q. (By Mr. Jenks.) Will you kindly continue your written statement?—A. (Reading:) "*Question 5.* What are the various economies, if any, which have been secured by the organization?—*Answer.* Each separate organization had its complete corps of officials, consisting of president, secretary, treasurer, bookkeepers, and salesmen. These have been entirely done away with, and each mill is merely equipped with a superintendent and a sufficient clerical force for keeping manufacturing records. All of the directing powers have been concentrated in one office to conduct the operations of all the mills. Each department of the work is conducted by one person. For example, all the manufacturing is in charge of one man; all the construction and maintenance in the hands of another; all the purchasing in the hands of a third, etc. But one of the greatest economies is that we get a better quality of product and more of it from the same machinery and the same number of men than was secured by the individual mills; also the gross cost of selling the product is much less than the aggregate cost to the separate mills.

ADVANTAGES AND DISADVANTAGES OF INDUSTRIAL COMBINATION.

"*Question 6.* What is your opinion, based upon your experience, of the advantages and disadvantages of industrial combination in general?—*Answer.* The increased capitalization and scope of the present methods of conducting business seem to be the natural order of development. Any combination of corporations the putting together of which is based upon other than ability to manufacture and distribute goods at a reduced cost will not meet with the success that its promoters anticipate. On the other hand, those combinations that accomplish such results will be a great manufacturing and distributing power in the future, and the value of their securities will become as permanent as those of any of the leading railroads and banking institutions of the country. That is my opinion and view on that line.

NO LEGISLATION NEEDED ON THE SUBJECT OF INDUSTRIAL COMBINATIONS.

"*Question 7.* Suggestions regarding legislation on the subject of industrial combinations, provided you think it desirable.—*Answer.* I do not consider that any legislation is required. All combinations of capital that are put together for the purpose of accomplishing the manufacture and distribution of goods at a less cost to the consumer will succeed, and no legislation can prevent it. Any combination of capital for the purpose of artificially raising prices by buying up competing firms will fail in the end, and therefore no legislation is required.

INTERNATIONAL PAPER COMPANY HAS NO CONNECTION WITH ITS COMPETITORS.

"*Question 8.* What are the relations of the International Paper Company with its competitors?—*Answer.* It has no connection whatever. It sells its own products, and is establishing agencies for the sale of its products in the principal cities of this country, as well as in England, Australia, Japan, and South America.

ARTICLES OF INCORPORATION AND BY-LAWS OF INTERNATIONAL PAPER COMPANY.

"*Question 9.* Kindly furnish articles of incorporation and by-laws, copy of syndicate agreement for the company's financiering, and statement of wages of employees.—*Answer.* I present you with the by-laws and articles of incorporation and

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[1] See pp. 410–11, 423–24.

mortgage of the International Paper Company.[1] No syndicate was formed for its financiering, and therefore I have no agreement to present. I have not prepared any table of wages of employees of the International Paper Company. I may state that the International Paper Company in the working of its mills has not reduced, but has increased wages, so that the average pay to its mill operatives is greater than when the company was formed.

THE TARIFF QUESTION[2]—EXISTING RATES OF DUTY ON PAPER AND WOOD PULP.

"*Question 10.* What is your opinion regarding the tariff upon wood pulp, paper, or other products connected with the paper industry, with reference also to the effects of the tariff upon the conservation or destruction of the forests of the United States?—*Answer.* The industry of manufacturing paper is about the seventh or eighth in importance in the United States. The aggregate of invested capital is not less than $200,-000,000, and the value of the output from $180,000,000 to $190,000,000, so that to-day we are the foremost producers of paper in the world and have the largest amount of money invested in its manufacture. The industry has been built up under the fostering care of the tariff, and the man who undertakes to inaugurate any legislation that in any way threatens the destruction of this industry is taking a great responsibility upon himself. As a result of the building up of this great industry the consumers of paper in the United States are buying it for less than it costs in any other country in the world. We are gradually and permanently building up an export trade for this industry, and last year the International Paper Company supplied to Australia one-third of all the newspaper consumed in that country, and in addition to that other United States manufacturers have sent a large quantity there.

"A duty of 15 per cent on paper and 9 per cent on pulp are among the lowest duties imposed upon any of the manufactured articles, and therefore, in my opinion, they should under no consideration be reduced or removed. According to the United States official report, 37 per cent of the area of the United States and 50 per cent of the 13 Southern States is covered with wood, and the paper industry, as reported to me, consumes less than 2 per cent of the total amount of wood cut, so that the future nursery to draw from in the United States would seem inexhaustible, and for the future development of our industry there are ample resources within the borders of the United States."

Q. (By Mr. FARQUHAR.) Do you use American pulp exclusively?—A. Yes.

Q. What are the tariffs on pulp and paper?—A. The tariff rate on paper valued at not over 2 cents a pound is three-tenths of a cent a pound. About 2 cents a pound is the present price of paper, and therefore the present rate of duty is 15 per cent on paper coming from Canada. On unbleached chemical pulp the tariff is one-sixth of 1 cent per pound; mechanically ground pulp, one-twelfth of 1 cent per pound. Putting these into the ad valorem form they would be about as follows: Mechanical pulp is worth from $16 to $20 per ton. Assuming it to average $18 a ton, this would be at the rate of $9\frac{2}{10}$ per cent. Unbleached chemical pulp is worth from $35 to $40 a ton. Assuming $38 to be the average price per ton, the ad valorem form would be $8\frac{3}{4}$ per cent.

Q. The opponents of the International Paper Company say that you export a large amount of paper to Australia—you have said that you export one-third of the paper used there—and that you do it under the tariff. Now, if there was no tariff would you export anyway? How about that?—A. I would answer that as Mr. Dingley, whom I regard as the brightest light this country has produced in tariff matters, once answered a question of mine: You reduce the amount of paper manufactured in the United States by American manufacturers and I will guarantee you that you will increase the price of your paper very materially to your consumers. It is the aggregate of capital, the competition within ourselves, the absolute assurance that we have a home market if we can make our paper cheaper than our competitors, that enables us to gather together so much money and to develop our own properties to the fullest extent in order to make and distribute paper at the price we are doing, and by that process gradually to capture the markets of the world. With a country that has 37 per cent of its whole surface covered with wood, the varieties of which are innumerable for the uses of paper making, having that as a nursery to draw upon, and having the market of America, the largest in the world, to supply, with unlimited capital within our own borders, we will create and permanently furnish to ourselves a better quality of paper at a lower price than would be possible if you attempt the subdivision of our business and its distribution among the different countries of the world.

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[1] On file with the commission.

[2] See pp. 414–19, 424–30.

Q. Where does your competition in Australia mainly come from?—A. All over the world.

Q. In selling in Australia are your profits proportionate to what they are in the home market here, or do you have to lower prices to get your market there?—A. In the last year our export profits on the prices received were the highest in the business.

(Reading.) "*Question 11.* Those who favor free trade in wood pulp submitted briefs[1] to the Joint High Commission to regulate the relations between the United States and Canada, and you and others in connection with the paper industry submitted a paper in favor of the tariff.—*Answer.* I herewith present those briefs which were submitted by Senator Miller. In addition to this I would simply say, Why should the paper industry be singled out for an attack? Why not steel, iron, copper, cotton goods, or any of the dozens of other commodities? No such profits are made in paper as in steel and iron."

MEMORANDUM PRESENTED TO THE AMERICAN MEMBERS OF THE JOINT HIGH COMMISSION *RE* DUTY ON PAPER AND PULP.—JANUARY 7, 1899.

To the American members of the Joint High Commission, Washington, D. C.

GENTLEMEN: Some time in August last I had the honor of appearing before your body and presenting the question of a duty upon paper and pulp in its relations with a possible treaty of reciprocity with Canada. Unfortunately I did not have with me a stenographer at the time of the meeting, and the remarks which I submitted were not committed to writing.

STATEMENT OF AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION PRESENTED TO JOINT HIGH COMMISSION ASKING REMOVAL OF DUTY ON PULP AND PAPER.

I now propose, with your permission, to repeat some of the propositions which I made at that meeting, and also to answer a paper which has been submitted to you by the board of directors of the American Newspaper Publishers' Association, asking that you favor the removal of the duty from paper and pulp.

This paper has been extensively reproduced in many of the newspapers of the country, and a complete copy of it has been handed to me by one of the association. Many of the statements contained in it are so wide of the truth, and so misleading in the deductions drawn from them, that I can not consent to let it pass without calling your attention to these misstatements and false deductions.

First, I am informed that this paper was considered only by the board of directors of the Newspaper Publishers' Association, and a number of the leading members of the association informed me that they never saw it and knew nothing about it until it appeared in print, and that if it had been submitted to them for their approval they would not have consented to let it go out as an official utterance of the association.

BRIEF OF AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION—LARGELY AN ATTACK ON INTERNATIONAL PAPER COMPANY, AND LARGELY EXAGGERATED.

But I make no point upon the manner of its publication. The question of importance, however, is whether the statements made therein are correct and the deductions drawn from them logical. The article is chiefly taken up with an attack upon the International Paper Company, claiming that it is a trust which unjustly taxes the newspaper publishers of the country, and that the only relief from this unjust taxation is to be found in placing paper and pulp on the free list. It states that the company has been greatly overcapitalized, and that therefore the International Paper Company seeks to charge undue prices for paper in order that it may be able to pay dividends upon the excessive capitalization.

Nearly all the statements which it makes regarding the various properties of the corporation and their condition and their value are false, which I can prove to the satisfaction of anyone who will undertake to investigate the properties and their condition. But I will not go into the details of the various properties, for that in no way affects the question as to whether paper should be placed on the free list or not.

RATES OF DUTY ON PULP AND PAPER.

The statement begins with giving the duty upon newspaper valued at not above 2 cents per pound as three-tenths of 1 cent per pound, or $6 per ton. As 2 cents per pound is the present price of the bulk of the newspaper used in this country, it follows that the duty of three-tenths of a cent per pound, or $6 per ton, is only 15 per cent upon the value of the paper. I submit that that is not an exorbitant rate of duty, and that it is very much lower than the average duty on other manufactured products, whether of iron, steel, wool, cotton, or silk. The fact is that the duty has always been low on paper, and the paper makers have been satisfied that it should be low. The duty upon wood pulp is fixed in the present tariff at one-twelfth of a cent per pound, or $1.67 per ton. This, upon the present value or cost of pulp, is 17 per cent, and here again we find an extremely low rate of duty. Certainly no very great amount of extortion can be practiced upon the newspaper publishers with duties of only 15 per cent ad valorem. In former days, when a revenue tariff was in existence, there was scarcely any duty less than 25 per cent ad valorem.

RATES OF FREIGHT AS BETWEEN CANADIAN AND UNITED STATES MILLS.

They go on to say that the tariff on paper is prohibitory and that the rate on wood pulp is excessive. They also state that the American manufacturers have a protection of at least $1.60 per ton, because of their proximity to their customers, meaning, I suppose, that the saving is made in freight. This is another mistake. The principal paper mill in Canada is located upon a branch of the Canadian Pacific Railroad, and is controlled by the principal officers of that road. The rate of freight from that mill to Chicago or New York, or any of our leading cities, is less than it is from our own mills, located in the States of Maine or New Hampshire.

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[1] See pp. 414–19.

PRINCIPAL ARGUMENT OF AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION IS THAT THE INTERNATIONAL PAPER COMPANY IS GREATLY OVERCAPITALIZED; THAT MANY OF ITS MILLS ARE OLD AND WORTHLESS, AND WHICH IS HERE REFUTED.

The principal argument in favor of free paper and free pulp from Canada rests upon the statement that the International Paper Company had been greatly overcapitalized, and that many of its mills are old and worthless. This statement is unqualifiedly false in every particular, as I shall be able to show. I am bound to assume that the charge is made through ignorance of the facts, rather than through malice or from a selfish desire to obtain paper at less than a fair price.

CAPITALIZATION OF INTERNATIONAL PAPER COMPANY GIVEN.

First, as to the charge of overcapitalization. The statement gives the securities as follows: Bonds, $10,000,000; preferred stock, $25,000,000; common stock, $20,000,000. These are the amounts which the corporation is authorized to issue under its charter, but the facts are that it has issued, in payment of the properties which it now holds and for active working capital, the following amounts:

Ten million dollars of bonds, $20,000,000 of preferred stock, and $16,000,000 of common stock, making a total of $46,000,000, instead of $55,000,000, as stated by the Publishers' Association.

When this company was organized and the various properties were bought, expert men were employed to appraise them at their then actual value, and that appraisal was made at $43,000,000. In addition to this, $7,000,000 cash working capital is employed, and this is represented by the securities issued as above stated, making totals of properties and cash $50,000,000, which is represented by only $46,000,000 of securities. And still these gentlemen tell you that the whole common stock of the company was issued for good will, and good will only, and they say that the officers of the company admitted that at the beginning. I pronounce that statement to be unqualifiedly false and challenge its proof.

STATEMENT OF AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION THAT A MODERN PAPER MILL PLANT CAN BE CONSTRUCTED AT COST OF $10,000 PER TON OF DAILY PRODUCT—SHOWN THAT FOREGOING STATEMENT INCLUDES NEITHER COST OF SULPHITE PLANT NOR COST OF GROUND WOOD PLANT, BOTH NECESSARY ADJUNCTS TO PAPER MILLS.

These properties are the most valuable of their kind in the world, and while many of the mills were built years ago, they have been kept up by renewals of machinery and rebuilding of mills, until to-day there are no better mills of the kind to be found in the world. They are perfectly fitted for the manufacture of paper in all the forms in which they have undertaken it. These gentlemen go on to state that a modern paper mill plant can be constructed at a cost of $10,000 per ton of its daily product. They do not say that they include in this $10,000 the cost of a sulphite mill for manufacturing sulphite pulp, or the cost of a ground wood mill, which is to produce the ground wood pulp used in making the paper; but they lead you to assume that $10,000 per ton is the total cost of the complete plant for the production of paper. The facts are as follows, as I can prove to you from the books of the company for the construction of new works, which are now in progress and which are being built in the best possible manner. You should understand that for making newspaper which is made entirely of wood there are two kinds of pulp mills necessary—one a sulphite mill, for the production of what is known as sulphite pulp, which is very strong and quite equal to the pulp of cotton or linen rags; also a ground wood mill, which produces what is known as wood pulp and which requires an enormous power for its production, using 75 to 100 horse-power per day for every ton of ground wood produced.

COMPLETE PAPER MILL PLANT SET FORTH.

In a complete plant we have, therefore, first, the sulphite mill; second, the ground pulp mill; and, third, the paper mill, which turns out the finished product. A first-class sulphite mill can not be constructed to-day in a thorough manner for less than $5,000 per ton of daily product. A ground-wood pulp mill built in first-class manner can not be constructed for less than $5,000 per ton of daily product, and the paper mill proper can not be constructed in first-class manner for less than $7,000 per ton for finishing paper. But this is not all. To these figures of cost of construction is to be added the cost of the water power. A mill producing 50 tons per day of finished paper will require from 5 to 6,000 horse-power of water to produce the pulp and finished paper. The amount of power, developed as it must be, by the building of dams, and the construction of hydraulics, head gate, waste gate, tail races, etc., can not be had or produced at any point in the United States near a market for less than $250,000, which, as you see, is equal to $5,000 per ton of daily capacity of such mill. This $5,000 per ton for the cost of power added to the figures of the above for the cost of construction gives $22,000 per ton for the cost of a modern complete plant, instead of $10,000, as these gentlemen of the press assert to be sufficient.

CAPITAL REQUIRED TO OPERATE PLANT.

In addition to this cost of plant there will be required a cash capital of not less than $250,000, which must be furnished by the manufacturer or borrowed from banks and interest paid. This large working capital is necessary because the entire supply of wood for the year must be put in during the winter months, when there is snow in the woods, and because fully 3 months' production of the mills is carried, or, in other words, it requires 3 months for the mills to realize on the paper after it has been made, the rule of the trade being that the paper manufacturer shall keep a large stock of paper on hand for the publisher, and deliver it daily as required, thus saving the publisher a large amount of cash capital. You must judge whether the statements of these gentlemen are due to ignorance or malice. They claim that the International Paper Company is a monopoly from which there is no relief save that of the admission, free from duty, from Canada of paper and pulp.

AS TO STATEMENT THAT THE INTERNATIONAL PAPER COMPANY MONOPOLIZES PAPER MAKING—SHOWN TO BE ERRONEOUS.

There are over a thousand paper mills in the United States making various grades of paper. These mills are scattered throughout many States. There are a large number of paper mills in Wisconsin making newspaper precisely of the same kind and quality as that manufactured by the International Paper Company, and having no connection with the International Paper Company. This, taken in connection with the fact that the duty upon paper is only 15 per cent, is a sufficient answer to the charge of monopoly.

PRICE OF PAPER LOWER IN NEW YORK THAN IN LONDON.

The price of paper at the present time in this country is not at all excessive. It is lower in New York than it is in London. The protection of the pulp and paper industry in this country has led to the great development of the trade and has enabled the American manufacturers to improve their plants and bring out new inventions until they have been able to reduce paper to its present price. When I first went into the manufacturing of wood paper in this country, I sold it at 19 cents per pound.

PRICE OF GOOD NEWSPAPER ABOUT 2 CENTS PER POUND.

To-day, the price of a much superior article is about 2 cents per pound. I submit to all fair-minded men that there is no evidence here—and none can be produced—that the International Paper Company is a monopoly and that it has in any way attempted to unduly advance the price of the commodity.

ASSOCIATED PRESS: ATTENTION CALLED TO THIS ASSOCIATION OF NEWSPAPERS AS AN EXAMPLE OF A MONOPOLY.

If, however, you are looking about for a trust and monopoly, let me ask you to turn your attention to the newspaper association of this country whom these gentlemen claim to represent. In the first place, they have a protection which is an absolute prohibition. The New York World, or any other paper, can not be manufactured in London and imported. It can be made only in New York City. They have not only the market absolutely to themselves in the various cities where they are published, but they have an association which controls the gathering of the news, so that no new paper can be started anywhere if they refuse to supply the news to it. If you are looking for overcapitalization or for enormous profits, let me ask you to turn your attention to the fact that the great newspapers of New York City have within a few years made great fortunes for their owners and some of them are making from $500,000 to $1,000,000 a year upon plants which have not cost as much in cash as some of the wretched paper mills of ours about which they talk.

RESTATEMENT THAT INTERNATIONAL PAPER COMPANY IS EXPORTING PAPER TO ENGLAND, JAPAN, AUSTRALIA, ETC.

Another reason given for asking that paper and pulp be put upon the free list is the fact that the International Paper Company is able to export paper to foreign lands, chiefly to England, Japan, and Australia. I am very glad to be able to say that the International Paper Company is exporting paper to the countries named, but the paper so exported is netting us considerably more than the paper which we sell in New York to the gentlemen who have prepared the statement of the association. As I have already shown, the statements regarding the character and value of the mills belonging to the International Paper Company were largely false. Take, for example, the statement that one of the machines purchased by the International Paper Company at a large pricc was so old that it had been tended or run by myself when I was a boy. This is pure fiction. I never tended any machine when I was a boy and never had anything to do with the business of paper manufacture until after I came out of the war in 1864. But I will not waste your time by going into matters which are entirely foreign to the question as to whether paper shall be put upon the free list in a reciprocity treaty with Canada or not.

RÉSUMÉ OF FACTS AND REASONS PRESENTED TO JOINT HIGH COMMISSION IN AGUUST.

Let me call your attention to some of the facts and reasons which I presented to your body in August showing why paper and pulp should not be put upon the free list in any reciprocity treaty that may be made with the Dominion of Canada. The cost of wood pulp, and, therefore, the cost of the finished paper, is made up of four essental items, which are, the cost of raw wood, the cost of labor, the cost of fuel, and the cost of water power. To these must be added the cost of transportation of the finished product from the mill to the consumer. In all these essentials the Canadian manufacturer has a large advantage over the manufacturer of the United States, first, with regard to the cost of the wood out of which the pulp is manufactured. Spruce wood is the one chiefly used in the manufacture of pulp. The cost to the Canadian mills in nearly all cases does not exceed $2.50 per cord delivered at the pulp mill. Some of the manufacturers claim that they are able to procure their wood at a cost not exceeding $1.50 per cord. Spruce in the United States delivered at the pulp mill varies from $5 to $7 per cord. As it requires about $1\frac{1}{10}$ cord of wood to produce a ton of ground wood, you will see that in this difference of cost to the manufacturer the Canadian manufacturer has the advantage over the United States manufacturer of $2.75 per ton, which is nearly twice the amount of duty under the present tariff law, which is $1.67 per ton for pulp.

LABOR: COST OF, AS BETWEEN CANADA AND UNITED STATES COMPARED.

Labor is an important factor in the cost of both pulp and paper. As I at one time was interested in Canadian pulp mills, I have personal knowledge of the difference of the cost of labor in Canada and the United States. I can state that the cost of labor in the American mills is fully one-third greater than in the Canadian mills. This difference, when taken in connection with the manufacture of the two kinds of pulp and the finished paper, amounts to fully $3 per ton on the finished product—paper. As to the cost of fuel between the Canadian and American manufacturer, it is not great, but whatever difference there is is to the advantage of the Canadian manufacturer.

FUEL: COST OF, AS BETWEEN CANADA AND UNITED STATES.

In some portions of Canada wood is used as a fuel, which is very cheap. At other points, Nova Scotia coal is used, which is laid down at the mills for fully $1 a ton less than coal can be delivered to any of the mills in the New England States. The cost of water power is on an average twice as great in the United States as it is in Canada. An examination of the map will show a very large number of rivers flowing into the St. Lawrence from the north. Nearer the mouth of these rivers there are found falls varying from 50 to 150 feet in height. The result is an enormous amount of water power of which at the present time less than 10 per cent has ever been used.

WATER POWER: COST OF, AS BETWEEN CANADA AND UNITED STATES.

The first cost of these powers at the present time is almost nothing, and when they have been improved and put to work it is proved, in any case in which I have had experience, that the cost of the Canadian power has not been one-half the cost of corresponding power in the United States. It

will be seen that this gives the Canadian manufacturer a great advantage over the American in the amount of money required in its first outlay for the plant, which is an important thing in the development of any great industry.

FREIGHT RATES COMPARED.

As I have already stated, the cost of transportation or the freight rates from the Canadian mills to the principal cities of the United States, such as Boston, New York, Buffalo, Cleveland, Chicago, and Detroit, is in most cases less than it is from the paper mills in the United States, which are largely located in the States of Maine and New Hampshire and northern New York. In many cases the difference in favor of the Canadian mill is as much as $2 per ton, and this comes about largely from the fact that the Canadian roads have been subsidized by the government and are thus enabled to make freight rates less than the corresponding rates in the United States. At the present time Canada produces only a small surplus of pulp and paper, which is exported to England, but a large number of pulp and paper mills are in process of building and others are projected. Canada, with the advantage of cheap wood and labor and abundant and unused water powers, will be able in the near future to put paper on every market not protected by a tariff based on the difference of costs.

PRESENT DUTY ON PAPER NOT EQUAL TO HIGHER COST OF PRODUCTION IN UNITED STATES OVER THAT IN CANADA.

A careful examination of the whole subject will show that the present duty is not equal to the higher cost of production in the United States over that in Canada. If this duty should be removed and the paper and pulp put upon the free list, the result, of course, would be to very largely transfer the paper and pulp industry from the United States to Canada, and when the American mills have been thus ruined and put out of business the American publishers would find that they would be paying more for their paper than they do at the present time.

WARNER MILLER.

STATEMENT NO. 2.

MEMORANDUM PRESENTED TO THE AMERICAN MEMBERS OF THE JOINT HIGH COMMISSION *RE* DUTY ON PAPER AND PULP, JANUARY 30, 1899.

NEW YORK, *January 30, 1899.*

To the American members of the Joint High Commission, Washington, D. C.

GENTLEMEN: Some time ago a committee of the American Newspaper Publishers' Association submitted to you an argument in favor of putting paper and pulp on the free list. In reply to that argument I have had the honor of submitting to you a statement which I believe proves conclusively that the present duty on paper and pulp should be retained.

The same committee of the Newspaper Publishers' Association has submitted to you, under date of January 25, a supplementary statement, which begins as follows:

AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION—EXTRACT FROM THEIR BRIEF SUBMITTED TO COMMISSION JANUARY 25, 1899.

"The American Newspaper Publishers' Association desires to supplement its brief on free paper and free pulp by directing the attention of the American members of the Joint High Commission to the urgency of a provident policy which shall protect and preserve our forests."

The statement above mentioned then proceeds to set forth the evils arising from the destruction of our forests. To this statement I have no desire to take exception. The evils arising from the destruction of our forests are to-day admitted by all scientific authorities, and various remedies have been proposed. For myself I have repeatedly appeared before legislative committees of my own State urging that wise action be had for the preservation of our forests.

FORESTRY LEGISLATION DESIRED, ETC.

The study of forestry in the United States is still in its infancy. Much has been written and spoken regarding it, much of which has been false in fact and in theory. The results thus far have been practically very small, but the agitation of the question will undoubtedly eventually result in the adoption of wise regulations by a majority of our State legislatures for the control and management of the forests within their boundaries.

AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION PRESENTS NO SOLUTION, BUT THEIR COURSE, IF ADOPTED, WOULD UNDOUBTEDLY LEAD TO DENUDATION OF OUR SPRUCE TIMBER LANDS.

This last presentation by the committee of the American Publishers' Association simply speaks of the evils of the destruction of our forests. They do not offer any solution of the evil nor suggest anything that is to be done in the matter. As the paper is submitted as a part of the brief or argument in favor of free paper and pulp, it is, I think, just to infer that the only remedy which they have in mind is the putting of paper and pulp on the free list, with the expectation that such a course would close the pulp and paper mills of the United States and transfer the business to Canada and other foreign countries, thus leaving our forests untouched. If this is not the legitimate deduction from the document I fail to comprehend why it has been submitted at all.

Such action, instead of preserving the forests of the United States, would undoubtedly lead to the rapid denudation of those portions of our forests which contain spruce timber, now chiefly used in making paper.

$100,000,000 OF CAPITAL INVESTED IN UNITED STATES IN PAPER-MAKING PLANTS, ETC.—POLICY PROPOSED BY AMERICAN NEWSPAPER PUBLISHERS' ASSOCIATION WOULD COMPEL THEIR OWNERS TO STRIP THEIR LANDS OF SPRUCE.

There are now invested in the United States, in the various pulp and paper mill plants producing paper from wood, more than $100,000,000 of capital. If the product of this industry were placed upon the free list, and thus their value and permanency threatened, undoubtedly the result would be that all parties interested in the industry would hasten to cut off the spruce timber which they now own and convert it into cash before sufficient mills could be constructed in Canada to supply the American market with paper. In this scramble to realize upon the forests now owned by people engaged in paper making, great waste would occur, and the forests would thus be ruined for all time to come.

The large cost of paper-mill plants and the time required for their construction would take up at least 5 years of time before mills sufficient could be constructed in Canada to appreciably affect the American market.

UNDER PRESENT CONDITIONS AMERICAN PAPER MANUFACTURERS ARE MOST INTERESTED OF ALL IN PROTECTION OF SPRUCE FORESTS—SELF-INTEREST ALWAYS BEING GREATEST PROMOTER OF ECONOMY.

Under present conditions, with fair protection to paper and pulp, the American pulp and paper maker becomes, by force of circumstances, the most interested person of all in the protection of our spruce forests. And the International Paper Company, against which the attack has been directed, has already commenced a system of forestry upon its own lands, which will be productive of better results—as I shall be able to show—than any system which has been adopted by any of our State governments or has been proposed by any of the people who have agitated the subject.

At the beginning of the manufacture of paper from wood in this country, some 30 years ago, it is undoubtedly true that the pulp manufacturer so handled his woodlands as to create great waste. The owners of small tracts of woodlands, in order to realize the greatest value from them, would naturally cut off the entire supply found upon the land, leaving few or none of the small trees which would have produced a new crop within a reasonable time.

The increased value, however, of spruce timber in the United States has necessitated much more conservative systems of operations and has drawn the attention of all paper manufacturers to the necessity of having some system of forestry which would make the supply of the raw material perpetual, thus preserving the value of their great plants and water powers.

Self-interest is always the greatest promoter of economy in the use of any material and in the devising of wise plans to continue the supply. As I have already stated above, $100,000,000 of money is invested in the paper and pulp mill plants using wood chiefly for the production of paper, and this great interest has for several years now been studying and agitating the question of how best to maintain perpetually a supply of spruce wood for their mills.

The attention of the entire paper trade has been drawn to this subject; and as an evidence of the interest that has been taken in it, allow me to say that the American Pulp and Paper Association, at its last annual meeting in the city of New York, had papers upon this subject presented and read by Prof. Bernard E. Fernow, then Chief of the Division of Forestry in the Department of Agriculture at Washington, by Mr. Gifford Pinchot, the present incumbent of that office, and by Mr. Austin Carey, an expert forester. As a result of this movement, and in view of the papers above referred to, the association at the meeting adopted the following resolutions:

RESOLUTIONS PASSED BY AMERICAN PULP AND PAPER ASSOCIATION AT LAST ANNUAL MEETING *re* FORESTRY LEGISLATION.

"*Resolved*, That the American Paper and Pulp Association believes that the Congress of the United States should provide a generous fund for the gathering of information, either immediately or in connection with the next census, in regard to the status of our forests; and further, it is believed that the various State governments should enforce all statutes now existing relating to the regulations and care of timber lands, and should enact such further legislation as is necessary to insure ample protection from fire and other destructive elements, and

"*Resolved*, That it indorses the principles of forestry and urges its members to study and apply the same to their holdings."

The association has sought in every way to disseminate information upon this subject among its members and to create a general public opinion in favor of proper forestry laws. The self-interest of the paper and pulp manufacturer renders him the best friend of any system of forestry preservation which may be found effective.

MANY LARGE HOLDERS OF SPRUCE-TIMBER LANDS, OF THEIR OWN VOLITION, HAVE INSTITUTED A SYSTEM OF FORESTRY.

As a result of this agitation, many of the large holders of spruce lands have, of their own volition, instituted a system of forestry which will be of the very greatest benefit to themselves, the trade, and the country generally. It consists simply of limiting the size of the timber which should be cut from year to year.

Timber in its various forms is one of the prime necessities of civilized life; no department of human activity can be carried on without it. And therefore any system which should shut up our forests and prevent their use can not be otherwise than injurious to the whole community, and such a system should never for a moment be tolerated in any civilized government. Timber should be treated as any other product of the soil or any other crop grown. It should be cut and used when ripe and the younger and smaller trees left to grow up and produce another crop, so that the cuttings may be perpetual and the forests may at the same time be preserved.

This is the system adopted in Germany—a system which has prevented their forests from being denuded and makes them grow constantly better and better; and, at the same time, by selling mature trees, a revenue has been produced in Germany sufficient to carry on this great work, while leaving large surplus earnings to be applied to the general expense of the Government.

SPRUCE TIMBER CONSTITUTES ONLY A SMALL PORTION OF TIMBER FOUND ON ANY TRACT, BEING LESS THAN TEN PER CENT IN ADIRONDACKS.

It should be borne in mind by the members of the commission that spruce timber, wherever found, constitutes only a small percentage of all the timber found standing upon any given tract.

Throughout the Adirondack wilderness the proportion of spruce in the forests is less than 10 per cent of the entire growth of the forests, and wherever the large spruce trees—those above 10 or 12 inches in diameter at the butt—are cut out, little or no impression is made upon the forest itself, and the utility of the forest for holding back floods, or the climatic effect of producing more rain, is not in the least impaired.

A number of instances in proof of this assertion can be cited: The Adirondack League Club holds 100,000 acres of virgin timber land in the Adirondacks, upon which are found many lakes and streams. A few years ago, when the club came into possession of this reserve, it sold all the spruce timber upon the land to a lumber company, with the restriction that no spruce should be cut less than 12 inches in diameter at the butt. The lumber company took off the spruce in accordance with their contract, and to-day if a person were to go over this entire tract he would find little or no evidence of any timber having been taken out at all; and the younger spruce trees which were not cut are growing much more rapidly, and within 20 years' time another crop of spruce can be cut off this same tract larger than the original cutting.

In that same section of the Adirondacks, a little north of the land of the Adirondack League Club, Hon. W. C. Whitney lately purchased a tract of 65,000 acres for a park or preserve. The International

Paper Company has contracted for all the spruce found upon that tract, with the same restriction as to the cutting of the trees. The result will be, as in the case of the Adirondack League Club lands, that a very valuable crop of spruce will be taken off, the forest will not be injured in the least, and within 15 or 20 years another crop of spruce may be cut off these same lands.

It is true, as I have stated, that in the early days of pulp making in this country the small manufacturer cut everything found upon his land, destroying all the small trees as well as the large ones, thereby preventing a second crop from ever being produced unless special means were taken for replanting.

INTERNATIONAL PAPER COMPANY—ONE OF THE CHIEF CAUSES FOR ITS ORGANIZATION WAS THE ADMITTED NECESSITY FOR ADOPTION OF PROPER FORESTRY SYSTEM, WHICH COULD THUS BE BETTER ACCOMPLISHED.

One of the chief causes for the organization of the International Paper Company was the admitted necessity for the adoption of a proper system of forestry for the spruce lands in the United States reserved for paper making.

It was found that this could not be done by small individual holders; for, in their competition with each other, trees were being cut down 5 or 6 inches in diameter, and the prospects of another crop, of course, destroyed.

DEPARTMENT OF AGRICULTURE AT WASHINGTON HAS BEEN ASKED BY INTERNATIONAL PAPER COMPANY TO COOPERATE WITH IT IN DEVISING BEST METHOD OF FOREST PRESERVATION.

The International Paper Company, having vast properties to protect, necessarily looked around for a supply of the raw material, and has secured a large amount of the best spruce land in the United States, having now nearly three-quarters of a million of acres in its possession. The proposition has been to secure lands enough to furnish to all its mills a perpetual supply of spruce by the adoption and operation of a proper system of forestry upon the lands which it owns. In the furtherance of this subject it has called upon Mr. Pinchot, chief of the division of forestry in the Department of Agriculture at Washington, and requests his cooperation in suggesting plans for bringing about this most-desired result.

In this connection I submit a copy of a letter of Mr. A. N. Burbank, who is at the head of the woodlands department of the International Paper Company:

LETTER FROM MR. A. N. BURBANK, MANAGER OF DEPARTMENT OF WOODLANDS OF INTERNATIONAL PAPER COMPANY, SETTING FORTH PLANS THAT ARE BEING ADOPTED BY INTERNATIONAL PAPER COMPANY CONCERNING FOREST PRESERVATION.

NEW YORK, *January 28, 1899.*

Hon. WARNER MILLER,
Secretary International Paper Company,
30 Broad Street, City.

DEAR SIR: Referring to our conversation of to-day, it is the object of the woodlands department of this company to do all in its power to protect the forests. Instructions have been given to the superintendents of our different divisions of woodlands to cut only the larger trees. The limit has been made, in many cases, to cut nothing less than 12 inches, and in some cases as high as 14 inches has been established as the limit.

We are now at work making a careful examination of all our lands with a view of determining the best way to handle them to preserve the forests and make our supply perpetual. We have been aided in this examination to quite an extent by Mr. Pinchot, United States forester. On October 10 last we applied to Mr. Pinchot, asking to have the division of forestry make an examination and working plan of all of our lands, and Mr. Pinchot has promised to personally visit our lands in New Hampshire in the month of February, and to take with him a sufficient number of assistants and to have a working plan of these lands made. He hopes to do the same for all our lands.

Mr. Pinchot has already made working plans of the lands in the Adirondacks belonging to the Hon. William C. Whitney. There is about 65,000 acres of this tract, the spruce on which is contracted for our mills, but nothing smaller than 10 inches is to be cut.

It is the intention of the woodlands department of this company to perfect plans as rapidly as possible to prevent the cutting of any but ripe trees, and this policy properly carried out, I believe, will insure a perpetual supply, and the amount of spruce upon the lands will never be less than at present.

Yours, very truly,

INTERNATIONAL PAPER COMPANY,
A. N. BURBANK, *First Vice-President.*

CONCLUSIONS AND DEDUCTIONS.

In this letter you will see that the International Paper Company has already adopted a system of cutting which will give to its mills a perpetual supply of spruce timber. This system will of necessity cause some increase in the cost of pulp and paper making, because it increases the cost of the raw wood. If the International Paper Company were to cut all the timber found upon its lands at once, without regard to size, it would undoubtedly reduce the cost of the wood supply to its mills fully $1 per cord. But having in view its great investments in water powers, mills, and machinery, and knowing that unless a constant and permanent supply of the raw material can be furnished all this property is to be destroyed or become valueless, the company has wisely decided upon establishing a thorough system of forestry, so that its mills may be always assured of a supply, and through that medium the newspaper publishers of America may be assured that they will for all time to come be furnished with a supply of paper at a reasonable price.

The International Paper Company and other large paper manufacturers who are cooperating with them do not hesitate to say to the members of the Joint High Commission that the course they have adopted in regard to forest preservation is the only wise and reasonable course that can be pursued, and that if left to work out this problem without the constant threat on the part of the Newspaper Publishers' Association of bringing about the putting of paper and pulp on the free list by their constant importunities and implied threats in the legislative branch of the Government, this great subject which interests the newspaper publishers quite as much as the paper manufacturers, will be completely solved, and in such a way as will redound to the best interests of all parties concerned, by securing a perpetual supply of the raw material at a reasonable cost.

We beg to assure our friends, the publishers, that under these conditions they need have no fear as to the future supply of paper.

WARNER MILLER.

THE TARIFF QUESTION—EFFECT ON AMERICAN AND CANADIAN INDUSTRIES OF A REPEAL OF DUTIES.

(Witness, reading.) "The Canadian government, realizing what an important industry paper making is, and how valuable it would be to build it up within its own borders, is making the greatest possible efforts to cripple our mills and foster its own by enacting laws to that end. The Canadian government has practically placed an export duty on wood pulp by making the license fee 40 cents per cord upon that portion of the wood which is used in Canada in manufacturing pulp, and $1.90 per cord upon that portion which is exported to the United States. At the same time an effort is being made in this country to array the newspapers in favor of free paper and free pulp. If such a thing as the transfer of the pulp and paper industry from the United States to Canada could be brought about, what would be the position we would then occupy? The great majority of timber lands in Canada are owned by the provincial governments or by the general government. Upon these lands licenses to cut are granted at a nominal annual rental per square mile, but once a year the price per cord is fixed for all wood cut during the year. This price is paid in addition to the annual rental. The practical meaning of this is that the cost of wood is regulated every year, and can be increased from time to time to any sum that the government may see fit to impose, placing it absolutely within the power of the government to regulate the price which the consumer of paper in the United States would pay if we depended upon Canada for either our wood pulp or paper supply."

Q. (By Mr. Farquhar.) What is your opinion as to the probable condition of the American paper manufacture and trade in paper, provided that the tariff was abolished on wood pulp, wood entering into pulp, and paper?—A. There is no doubt that a great effort would be made to bring about the establishment of large mills in Canada, based on their ability to supply the American and the English markets. A large part of such promotions and developments would be in the hands of the promoter, who can falsify and misrepresent to any extent, as he has nothing to lose and everything to gain, if he can get possession of the other man's money. There would not be so much danger from the legitimate business undertaken by the paper maker. An illustration of that is furnished in the person of one of the most successful paper makers in England, who was induced to start a Canadian plant by a promoter who desired to sell property, and on the representations of this promoter he agreed to purchase a plant, timber lands, and water power; the plant partly in existence. His agent in this country has told me within 2 weeks that this firm would willingly lose over $200,000 to give up the property, if they could be relieved of it; and that has all been brought about by a lot of falsifications on the part of the promoter as to the inexhaustible supply of timber, as to the great amount of water power, and all the various advantages of locating a manufacturing plant at that place.

Q. (By Mr. Clarke.) I have just this moment noticed an article in the Journal of Commerce and Commercial Bulletin, of New York, dated May 17. The article advocates the removal of duties on lumber, wood pulp, etc., imported from Canada into this country. It says: "Lumber monopolies and wood pulp monopolies would be deprived of their exceptional advantages by such removal, and no American industry would be checked for a moment, and no American workman would have his wages reduced a cent."—A. Well, I do not know how he construes the two propositions.

Q. Is it your opinion that if the duties were removed the effect would be to remove the industry from this country to Canada?—A. What is the object of removing the duty unless it is to remove the industry and substitute the product from Canada?

Q. The evident meaning of this article is that the industry would continue in this country, that it would employ just as many people and at just as good wages; what is your opinion on that?—A. I answer that if the majority of the people engaged in the manufacture of the articles of paper and pulp are making too much money, then their securities are selling at a very low price. If they are not making too much money, and if these results that you have indicated would mean that they would have to sell their products at a still lower cost, then their securities would be still lower. I am talking now about the mills outside of ours. Personally, I do not consider that the paper industry receives any more than a fair, adequate return for the capital invested.

Q. Will you please answer my question directly, whether or not in your opinion the removal of the duties on paper and wood pulp would have the effect to lessen production in this country, lessen employment and diminish wages?—A. I think it would accomplish all three things to a degree, as far as that could be effected.

Q. Are you aware of any facts upon which the conclusion which I have just quoted from that paper could possibly be based?—A. No.

Q. (By Mr. Farquhar.) Under the conditions given in the extract read, that the

United States abolish the tariff duties on pulp, on wood that enters into pulp, and on paper, would the industry of paper manufacturing naturally go as near the forests of Canada as it possibly could?—A. It would have that tendency, I should think. But I think that there is a very exaggerated opinion as to the amount of spruce forests that they have in Canada. To recur again to the condition of the investment by the English manufacturer; their agent in this country reported to me that the representation made to them was that there were 5 cords of spruce to the acre in that section, and on their examination it has taken over 5 acres to find a cord of spruce. In addition to that, I will say that the International Paper Company owns over 2,000 square miles over there, and we do not find nearly the same amount of spruce to the acre that we have in Maine, New Hampshire, Vermont, the Adirondacks, and in the South.

THE INTERNATIONAL PAPER COMPANY'S POSITION ON THE SUBJECT OF FORESTRY.[1]

Q. (By Mr. JENKS.) Has the International Paper Company a sufficient extent of forests to supply its future needs for some time?—A. No; I do not consider that we have an ample supply, in the broad sense of keeping our supply absolutely good on the natural growth of the land. For that to be the case, we would require the ownership of a very much larger extent. We are doing everything we can to create public sentiment in favor of the better care of lands and more stringent laws in regard to the great enemy of the forests, fire, and to encourage saving the forests if it is possible to do so. We are in favor of conservation of forests simply from an interested standpoint. In the past the great destroyers of the forest have been the sawmill and the fire. If a sawmill manufacturer had invested $100,000 in his business, $95,000 of it would be in the forest and $5,000 in the mill. In order to turn his $95,000 into capital as quickly as possible he used all his best efforts to cut his wood as quickly as possible. With us it is just the opposite. If we have $1,000,000 invested in the two combined, we have $700,000 of it in our mills and water power, and $300,000 in the forests, so that we are from financial reasons the firmest friend that the forests or forestry advocates have in this country.

Q. Are you yourselves doing anything in the way of practical forestry?—A. Yes.

Q. Will you tell us something about that?—A. Well, we have issued general instructions forbidding the cutting of our trees below a certain size, or unless they are ripe and mature. We are establishing camps and placing them under Professor Pinchot, and he is drawing upon Yale University, and its students come and locate the trees that we are to cut. We hope gradually to bring about the system of education on that line that has prevailed in Saxony, Germany, with such good financial success.

Q. It has been suggested that if the tariff were to be removed on wood pulp it would result in saving our forests at the expense of the Canadian forests. What would you say with reference to that one point of the tariff question?—A. I think if you were to enact a law to prevent a man from using wood in the construction of a building or using it for firewood purposes your results would be accomplished in the same manner.

Q. The argument is made by those who favor free trade with Canada as regards lumber, that in order to preserve our forests it would be desirable to remove the tariff in order that we might build our houses out of Canadian wood, and burn Canadian wood. Do you see the matter in that way?—A. No. Any country that has a forest territory that represents 37 per cent of its whole area can, by attempting legislation to preserve one section of its business, by that process absolutely ruin another. Moreover, such legislation would depreciate to the amount of untold millions of dollars the intrinsic values of the stumpage that is growing in the forests, and would be criminal legislation.

POSSIBILITIES OF THE SOUTH IN THE PAPER-MAKING INDUSTRY.

The section of the country that ought to be helped, if we are to divert and remove our mills, is the South. Over 50 per cent of the territory of the 13 southern states is covered with wood; they have an abundance of material for the manufacture of paper. If you get the industry started fairly, a proper price will certainly make a demand for plants there.

Q. (By Mr. TOMPKINS.) What kinds of timber are there in the South?—A. There are a number of kinds. There are a great many varieties of timber that can be used for paper making. Here is a newspaper article on "Paper making in the South" which points out that in Tennessee there is 65 per cent of wooded area to the total land area; in Kentucky, 55 per cent; in Arkansas, 84; Louisiana, 62; Alabama, 74; Florida, 70; Georgia, 71; South Carolina, 68; North Carolina, 73, and so on.

(Testimony closed.)

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[1] See pp. 426–427.

THE IRON AND STEEL COMBINATION.

WASHINGTON, D. C., *May 11, 1901.*

TESTIMONY OF MR. CHARLES M. SCHWAB,

President United States Steel Corporation, No. 71 Broadway, New York.

The commission met at 10.06 a. m., Vice-Chairman Phillips presiding. At 10.37 Mr. Charles M. Schwab was introduced as a witness, and, being duly sworn, testified as follows:

Q. (By Mr. JENKS.) Will you kindly give your name to the stenographer?—A. Charles M. Schwab.

Q. And your business address?—A. No. 71 Broadway, New York.

POSITIONS HELD BY WITNESS—PRELIMINARY STATEMENT.

Q. You are at present the president of the United States Steel Corporation?—A. Yes.

Q. Have you any preliminary statement?—A. Well, my visit here was most unexpected, in the way of coming at an earlier date than I had expected, and I shall have to ask the indulgence of the commission with reference to the matters pertaining to the United States Steel Corporation, in that we are so new—really unorganized—in the process of formation. I will do my best, however, under all these circumstances and without any preparation, to give you such facts as I can. This is all I can say. Anything I can say with reference to our old business before the organization of the United States Steel Corporation I will be glad to give you.

Q. Before the organization of the United States Steel Corporation you held a position with the Carnegie Company?—A. Yes.

Q. Will you tell us about that?—A. I was president during the past five years of the Carnegie Steel Company and the Carnegie Company.

BUSINESS OF THE CARNEGIE COMPANY.

Q. Will you tell us what the nature of the business of the Carnegie Company was, going into detail as regards the control that they had of the raw material and the nature of their products?—A. Yes. The Carnegie Company were large miners of ore—mined all the ore that they required themselves, to the extent of over 4,000,000 tons per year. They transported a large percentage of it in their own boats over the lakes; they carried a very large percentage of it over their own railroad to their Pittsburg works, and manufactured it there, by the various processes, into a great variety of iron and steel articles—I think perhaps a larger general variety of steel articles than almost any other manufacturing concern. That is, we made nearly everything pertaining to the iron and steel business—rails, billets, armor, many lines of that sort. I mention armor because it is well known.

Q. Did you produce all of the ore that you used?—A. We produced all of the ore that we used.

Q. Did you have a surplus to sell to other manufacturers?—A. No, we did not care to sell. We were owners of such a large percentage of what is known as old range ores that we felt we should preserve it for our own use as being a most valuable asset.

Q. About what percentage of the ore production of the country do you think you had for your own use?—A. Roughly guessing, I should say between 25 and 30 per cent.

Q. And about what percentage of the finished product?—A. I am speaking of the Carnegie Company. Relatively the same—from 25 to 30 per cent. In some lines much more than that.

Q. Will you indicate two or three of the leading lines?—A. In structural materials of all descriptions, plates, things of that sort, we made 50 per cent; in rails, 30 per cent; in armor we made half, and I do not know of any other definite lines.

SHIPPING INTERESTS OF THE CARNEGIE COMPANY.

Q. How large were the shipping interests of the Carnegie Company?—A. Well, do you refer to our railroads?

Q. No; I was referring principally to your interests on the lakes.—A. You mean our boats?

Q. Yes.—A. We had 12 ore-carrying boats, with more under construction at the time of the consolidation.

Q. Did they do the largest part of your transportation?—A. No; we contracted the largest part of our ore shipping through the other interests; the Consolidated Mining Company and the Bessemer Steamship Company carried a great deal of our ores under long-time contracts.

Q. What was the railroad the Carnegie Company owned?—A. It is known as the Bessemer and Lake Erie Railroad, running from Conneaut Harbor to the works in Pittsburg, about 156 miles; a new road especially designed for heavy traffic.

Q. Did the road confine itself to the work of the Carnegie Company?—A. No; it took local business; we carried passengers and general freight, but of course the great bulk of its business was Carnegie business.

THE CARNEGIE COMPANY'S ORGANIZATION—CHANGE FROM PARTNERSHIP TO CORPORATION.

Q. As regards the organization of the Carnegie Company itself; was that a combination of different establishments?—A. The original Carnegie Steel Company was a partnership. When it went into the mining of ores it formed a separate organization for that purpose, and so with almost every other branch of its business; its shipping industry on the lakes was a separate organization; its railroad was a separate organization; its coke interest, limestone interest, all those various companies, numbering some twenty-six or twenty-seven, were all separate organizations, but the controlling interest of each was held by the Carnegie people; in fact, Mr. Carnegie himself retained a controlling interest in all, owning something over 50 per cent in each of the companies. It was then found that this partnership had grown so large and the business was of such a varied character, there were so many companies to control and so many partnerships holding varied interests, that for the sake of harmony among our partners it was decided to put all in the control of one corporation, to be known as the Carnegie Company. One of the chief reasons for that was Mr. Carnegie's idea that a partner in the coke interest, for example, should not have a greater interest in coke than he had in steel, as it might affect the contracts between the two companies; or that a partner should not have a greater interest in shipping than in the steel company; so he put these interests all into one company, so that each partner's interest was as a whole.

Q. In this Carnegie Company that was formed, the majority of holdings remained in Mr. Carnegie's hands?—A. Yes; just as in all of the others. He retained control of the Carnegie Company, just as he had formerly in each individual company.

STOCK OF CARNEGIE COMPANY NOT ON THE MARKET.

Q. The stock, as I understand, of this Carnegie Company was not on the open market?—A. It was not; never listed. Our idea in making the company was that it should be retained as nearly as possible like the close partnership. We made the shares $1,000 each in order that they might not be traded in, and we took all such precautions when we came to have the stock retained in the new company, and I think I can say that in the years of the existence of that company there was only one sale of stock, of ten shares; it was practically a partnership continued.

ARTICLES OF INCORPORATION AND BY-LAWS OF THE CARNEGIE COMPANY.

Q. You could perhaps furnish to the commission a copy of these articles of incorporation and by-laws of the Carnegie Company?—A. I can, but I have not them here. I will be very glad to furnish them.

ADVANTAGES OF CONSOLIDATION—BEST UTILIZATION OF ORES.

Q. I wish you would speak with reference to the advantages that you think accrue from bringing together in this way different interests under one central management in the steel industry. You can speak particularly, of course, of the Carnegie Com-

pany's experience.—A. Well, of course I am familiar with the reasons for putting these companies together. I do not know whether it has occurred to you that in the formation of this great company it has not been the rule to put together companies in exactly the same line of business.

Q. You refer now to the Carnegie Company?—A. I am referring to the United States Steel Corporation; for example, you will notice that the tube part of it was in no way connected with the others; nor were the tin plate or the wire or the hoop. It is true that the Carnegie Steel Company was especially unique in its position of being largely a maker of structural iron which the others did not make; the billets that were made by the National Steel Company and Carnegie Steel Company and others, were consumed by the constituent companies, so they were hardly competitors in that line. Rails, however, they were competitors in, but it would have been impossible to put these great companies together without having had them as competitors in some lines previous to the organization. The great advantages started with the ore—were these ore interests, I should say, taking the whole known range of ores in the Northwest from which all these companies derived their supply. The United States Steel Company controls, or owns, in the neighborhood of 80 per cent of all those ores. No ores have been acquired since the formation of these companies, by reason of coming together. Now, these ores as owned by individual companies were often of such a character as not to produce the best results for that company. One company, for example, may have owned nearly all Messabi ores; another may have owned nearly all the old range ores; the consolidation of all these ore interests has enabled these companies to utilize all of the ores to the best advantage, by distributing them in the best way possible. That is one of the greatest advantages resulting from this consolidation.

RELATION OF UNITED STATES STEEL CORPORATION TO CONSTITUENT COMPANIES.

Q. You do say that this United States Steel Corporation owns or controls——A. No; it owns the stock of all the other companies—it controls by reason of its ownership; we control in this sense, that the directorate of each subsidiary company is responsible for the operation of its company, and in that sense the United States Steel Company has no control other than through the election of directors each year. For example, if we elected a directorate of any one company—take the National Steel Company, for example—we would elect the directors by having the majority of the stock at the annual election for that company, and we would naturally put directors there who would be in sympathy with the policy of the United States Steel Corporation; but if these directors disregarded the policy of the United States Steel Corporation there is nothing in the world that would prevent them from carrying out their own idea.

Q. Until next year?—A. Until next year.

Q. In case the directors did not conduct affairs to suit the new company, what would be the result?—A. At the end of the year new directors would be elected.

THE CONTROL OF ORE BY THE UNITED STATES STEEL CORPORATION.

Q. This United States Steel Corporation, then, does not lease any properties—it controls them all?—A. It has some leases; but the whole ore situation is a very peculiar one. Most of the ore properties have come in through lumber purchases by lumber people, and things of that sort, so that the whole ore situation is very complicated, and as a result it is made up largely in ownerships in fee, leases, and subleases.

Q. You acquired all of this control through consolidation and leases and subleases of the different constituent companies?—A. Exactly. I want the gentlemen to be clear about the advantage of our being able to use these ores, and if anyone would like me to go further into that subject I should be glad to do so, because it is one of the most important points in the consolidation. The Illinois Steel Company owned in the northwest of Minnesota some excellent ores. They were in the habit of selling those ores and buying other ores at about the same price, which would enable them to make a better mixture. Now, the Carnegie Company were in a similar position. We owned the old range ores, and that gives the new corporation the old range ores and certain other ores; we realize the advantage and every manufacturer realizes the advantage of making these mixtures. Now, with this consolidation of interests we can get absolute perfection of mixture of ores for the purpose of the most economic manufacture. Do I make that clear?

ADVANTAGES FROM CONSOLIDATION—THE CARRYING OF ORES.

Now, to go on down into the carrying of these ores: When each of six, eight, or ten, or twelve individual companies owned its own fleet, and leased part of it, the ore was never carried in the most economic manner, for the reason—say one of the

firm had 10 boats, and when that boat reached the dock it would have to wait there a considerable time—wait a certain amount of time to get a certain amount loaded on a certain boat. Now, owning all the fleet, we have about 112 or 115 of these boats; they go continuously, and it doesn't make any difference what ore is ready, the boat loads that ore and goes out without any delay, and after it gets well down the lakes the manager may decide that it shall go to a certain dock, a certain works, and there is never any delay in shipping facilities. It is a very great advantage, one that is hard to appreciate unless you have been in the transportation business practically, and then you know what advantage facility of dispatch is to the shipping interests.

THE DISTRIBUTION OF ORES.

Another very great advantage is this: We are able to distribute, when we get to the other end of the lakes, over the docks and over various railroads to the various works to a much greater advantage than if each company was individually doing it. Just the same argument may apply, with reference to the shipment of ores to the works, as to the shipment of ores over the lakes, and so on down the whole line. When it comes to the question of manufacture, we can always arrange so that the works adapted, by reason of its location, for the furnishing of certain articles can supply them. Just as an illustration—nothing to conceal in this business at all—just as an illustration, the National Steel Company has been making rails at Youngstown; whereas the Federal Steel Company is better located for the distribution of rails, and so is the Lorain Steel Company, by reason of its proximity to the ores. One of the first things we did was to run one of these two works entirely on rails and the other on commodities best suited, thereby saving in freights, shipments, and deliveries. That is an illustration of what can be done by cooperation in these interests.

SAVING IN COST OF SUPERINTENDENCE.

Q. Will you tell us about the saving in cost of superintendence?—A. That is a very important item. As yet, as I said before, we are in the process of formation with reference to this matter, and therefore I can not speak as definitely, or specify instances, but the direction can be very much simplified and very much cheapened by reason of the fact of consolidation. The steel-making industry is peculiar in this, that no matter how small the operations are, there are certain skilled men in each line necessary. If a firm has 2 furnaces or 50 furnaces, they can't do without one skilled man in each of their lines, as a skilled melter, skilled superintendent, skilled chemist, skilled draftsman, and so on down the line. Now, we can consolidate all these industries, we can have one selling man, for example, one chief chemist, one chief engineer, that will answer all purposes for all of these works by adopting the same methods at each of the works. Not only can we do that, but we can take the best from each of all the works and take them to the other works, and a great saving can result in that way, because the steel business is one in which experiment and development are applied constantly to improvement. It is one in which they have had to go on from year to year with new processes and new methods; and where you can take advantage of experimental processes and developments of individual works and apply them to the whole, you reap a great benefit.

ALL PLANTS OWNED ARE RUNNING FULL.

Q. Do you find that some of the plants in the consolidation are so poorly situated, or so poorly equipped, that it is advisable to close them down?—A. I can only say that we are running them all very full now; all works we have are running full.

SAVING IN COST OF MARKETING PRODUCTS.

Q. You have spoken of the saving in the case of selling and marketing?—A. Yes.

Q. Will you develop that?—A. Just in the same line as in the case of superintendence, instead of having a great many offices—just as an illustration take New York; there are eight or ten selling offices in New York, each one of which has its leased wires, its telephone wires, and things needed in connection with selling. The consolidation of these offices into one building—not necessarily under one head, but, of course, under one head with various branches—will enable them to save in all directions; they will save in the cost of communication, telephone, telegraph, and everything of that sort.

DIRECTORATE OF CONSTITUENT COMPANIES MAY ULTIMATELY BE CHANGED.

Q. You said that each of the constituent companies are separate?—A. Yes.

Q. I gather from what you say that the separate organization or officers in the constituent companies will probably be more or less changed?—A. Well, they will

be changed only in personnel. For example, the boards of directors will not be changed immediately, but as time goes on my idea is that the best results will be attained in that direction by having the president of each company and his chief assistants as directors; but, being largely a manufacturing proposition, there will not be so many prominent names on the boards of the constituent companies as heretofore.

NO OBSERVABLE DISADVANTAGES FROM CONSOLIDATION.

Q. From your experience with the Carnegie Company or from what you can see of the United States Steel Corporation, do you note any disadvantages from consolidation?—A. Well, there are none that I know of; that I could speak of definitely.

SUPERINTENDENTS ARE KEENLY INTERESTED IN THE PRODUCTION OF THEIR WORKS.

Q. The suggestion has often been made that there is likely to be a less active interest in conducting the work on the part of superintendents if they are merely superintendents instead of owners?—A. That is not true. The superintendence I hope to conduct in the same manner as we did in the Carnegie Company. Every superintendent in the Carnegie Company was individually interested in the profits of his company, or in the cost, or in some manner other than his salary.

Q. Does that mean interested by a percentage in the results of the establishment, or something of that kind?—A. It varied—depended on the department over which he had control. I think that system generally a good one. He was paid on a percentage basis of his profits, percentage of his costs, percentage of output, percentage of quality, whichever was most important for us to develop in that particular territory.

Q. (By Mr. LITCHMAN.) You are speaking now of the Carnegie Company?—A. I am; and I believe it is right for all practices, and I hope results will prove it right for the United States Steel Corporation.

DETAILED REPORTS MADE BY EVERY DEPARTMENT AND PLANT.

Q. (By Mr. JENKS.) In order to keep track daily of the business, do you have statements turned in to headquarters so as to compare the different plants one with the other?—A. Yes.

Q. Did you do that with the Carnegie Company?—A. Oh, yes; very carefully.

Q. I wish you would go into detail as to how frequently you get reports?—A. Well, we get a detailed report every month of the cost of operation in every department, of every article manufactured. My belief is and always has been that greater economies are effected by strict supervision over all departments than in any other direction, and we develop that to the utmost in all of our plants. At the same time we made a careful comparative statement of each manufacture, with the cost as compared with each department, and the reasons therefor; had the manager of that department make such explanations as were necessary, if results were good or bad. I don't know that I can say anything more.

Q. I think that covers the ground.—A. Yes.

FORM AND METHOD OF ORGANIZATION OF UNITED STATES STEEL CORPORATION.

Q. To go back for a moment, before taking up the question of prices and wages, to the form and method of organization of the United States Steel Corporation. You had spoken a little on that. Perhaps you will go a little further into detail?—A. The method and form of organization of the United States Steel Corporation?

Q. Yes.—A. I do not want to speak specifically about that of which others have accurate knowledge. I think, perhaps, the individual members of this committee know pretty nearly as much about this as I do. The United States Steel Corporation, as you know, is simply the owner of nearly all of the capital stock of the other companies. It was organized in the same method as the Federal Steel Company, of whose organization you have had pretty full evidence here. The lines followed in the new organization were almost identical with that. In other words, the United States Steel Corporation is simply the owner of the stock. We are not the controllers. For example, in the making up of the working force of the United States Steel Corporation organization, I was careful to put in no controlling officers, no directing officers, my idea being to make the organization of each subsidiary company as strong within itself as possible—to throw the whole responsibility for the results and the manufacture upon the subsidiary organizations. And if you will note the organization of those companies in the future I think you will find they have

been organized on that basis. Just to go a little further, if you please, to make this clear: the United States Steel Corporation will endeavor to make itself largely a clearing house of information from which the presidents of the subsidiary companies can get the information they desire with reference to other companies, and from that be able to define the best methods they should pursue.

Q. As regards the purchase of supplies for the different companies?—A. They are all purchased by each company separately.

Q. And the sales?—A. Well, the sales will practically be done by each company separately, except in this particular: There are instances where the same lines are sold by different companies—rails, for example. In that event it is probable that the companies who make the same lines of goods will appoint the same sales agent in the same location in that line. But take the selling of wire, for example, and take the selling of tubes and of tin plate. They will each maintain their own separate organizations for selling. Now, for example, to make that clear to you, and to show how little we, the United States Steel Corporation, wish to direct, the three presidents of the Federal Steel Company and the National Steel Company and the Carnegie Steel Company got together and said, "How are we going to manage the sales of these three companies to the best advantage to our individual companies and with the least cost?" I did not attend their meeting at all. The three of them agreed as to the best method they should follow with reference to sales by their agents, etc., and proceeded on that basis. Of course, I do not mean to say that all the officers of the subsidiary companies as they now exist are not in sympathy with the general policy that might be established by the United States Steel Corporation. That is the idea in our being the holders of this stock, in order that we may elect officers and directors who will be in sympathy with our policy; and when once elected, they are responsible for that business, and it is conducted as an independent business. One of the chief difficulties I have experienced already is the interchange of business. Each company is so interested in its own business that it is hard to get them to make bargains; each wants to drive so close a bargain with the other.

Q. To go back for a moment to the form of the organization, can you furnish us for our files and for printing in our report a copy of the articles of association[1] and by-laws?[2]—A. Yes.

Q. And the syndicate agreement?—A. I will not say that I shall furnish that. That is a private agreement as between the syndicate and ourselves personally, and I do not know as to whether I shall furnish that or not. I will make inquiry and advise you, although I may say that I know some of the conditions have been generally known, but I should not like to state them myself.

EFFECT ON PRICES OF THE FORMATION OF STEEL COMPANIES.

Q. You have spoken of these various sources of saving. In your judgment, what has been the effect on prices within the past two years of the formation of these various constituent companies lately united into the United States Steel Corporation?—A. The prices have remained the same. I think the tendency will be to have somewhat lower prices. I do not think there is any probability of increased prices, unless there should be an unusual condition to warrant it. I mean, not to warrant an advance of prices, but in the cost to make the higher prices necessary; for example, ore was lowered this year from $5.50 to $4.25.

Q. Going back for a period of some two or three or three or four years, since the Carnegie Company, the Federal Steel Company, the National Steel Company, and the other companies have been organized, they themselves had, of course, many of these same sources of saving that you have spoken of?—A. Yes.

Q. That you have given in great detail. You think those savings did not result, then, in lower prices, I judge?—A. I should say that the prices during that time have largely—there has been rather a peculiar condition since the organization of those companies, and I think the prices have been largely regulated as a question of supply and demand; for example, just about a year ago certain lines of steel sold at the lowest price in the history of the American steel industry. Six months prior to that, in certain lines, the prices were the highest within my recollection, which would seem to indicate that it was largely a question of the supply and demand; and I think I can safely say that the tendency of these organizations has been to keep prices moderate, not too high, to promote consumption. If prices get too high, consumption drops off. These great companies are interested in seeing all their works running full, and they endeavor to keep prices on such a basis as will keep them working full.

Q. From what you have said, I infer that in your judgment the chief benefit from the savings goes to the stockholders of the company instead of to the consumer,

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[1] See Exhibit 2, p. 477. [2] See Exhibit 3, p. 481.

but with no detriment to the consumer in the way of added prices?—A. None whatever. I think rather there would be an advantage in prices to the consumer in the long run.

RELATION BETWEEN EXPORT AND DOMESTIC PRICES.

Q. Will you take up the question for a moment of the relation between export prices and prices in this country? You have perhaps heard some of the discussion.[1]—A. I heard some of the discussion of the gentleman who just preceded me. I do not quite agree with him, of course. It is quite true, as he says, that export prices are made at a very much lower rate than those here; but there is no one who has been a manufacturer for any length of time who will not tell you that the reason he sold, even at a loss, was to run his works full and steady. That has been the chief thing regarding all these companies in their export business. For example, export in very busy times like these is comparatively light, because we have been able to run full, and it is maintained more for the purpose of keeping in the foreign markets than for any other reason. When we have as much as we can do at home, as we have to-day, people are not anxious to sell materials at low prices. But when our mills are not running steadily and full, we will take orders at low prices, even if there is some loss in so doing, in order to keep running.

EXPORT PRICES ON CONTRACTS FOR FUTURE DELIVERY.

Q. Would you say that same statement applied in the case of contracts made for some months ahead?—A. I do not quite understand.

Q. The statement was made that when goods were sold for export on contracts, where the delivery was to be 6 or 8 months ahead, it was fair to assume that the prices made under those conditions were profitable to the company selling.—A. Not always. For example, this is an illustration of that point: Last year about this time, when we had our great dropping off in demand for steel, there were very heavy tonnages sold for export abroad and made at very low prices—I think probably as low prices as were ever made—because American manufacturers felt that we were going to have a protracted period of dull business here and they were justified in taking the risk, and hence we did. I did personally. I contracted for a great deal of steel to be shipped abroad. In view of the great home demand that immediately followed we were almost unable to ship it. That was one of the risks that the business man has to take to insure his works running full. We would rather be sure of running our works full at a known loss than not to run them at all.

LABOR THE BENEFICIARY OF RELATIVELY LOWER EXPORT PRICES.

Q. (By Mr. Clarke.) Can you afford to carry on business at the prices you get on your exports and pay the rates of wages that you do?—A. Nothing like it. I think you can safely say this, that where large export business is done, for example, in the line of iron or steel, nearly all the people from whom supplies are bought for that purpose give you a good price for the materials that go into export; railroads will, in most instances, carry them a little cheaper for you, and so on all down the line. But labor, within my knowledge at least, has never been asked to work for a lower price for export material, so that labor benefits more by it than almost any other interest.

EXPORT PRICES MADE LOWER IN ORDER TO GAIN MARKETS.

Q. (By Mr. Farquhar.) In selling your export at a lower price, is not the business reason that you endeavor to gain the market or sell low to keep the market?—A. At this time you sell low to keep the market that you are already in. Any one who has tried exports will realize the difficulty of starting an export business. Once developed, you do not want to shake it off and start it up.

Q. So as a business reason you must maintain it at lower rates?—A. Just at this time?

Q. At this time?—A. I do not want to say that I believe that this country is not in a position, by reason of its raw material, and by reason of its superior facilities for manufacture, to do a great export business at a profit. I do not mean to say that export business will not always be profitable; but not sufficiently profitable to justify manufacturing and wages and everything the same as we are doing in the home business.

Q. The question leads to another one. Is it a fact generally true of all exporters in this country that they do sell at lower prices in foreign markets than they do in the home market?—A. That is true, perfectly true, and you can realize that yourself.

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[1] See testimony of Mr, Holt, pp. 555–556, 576–577.

If a man comes here to sell you goods from England, they may be of the same class and quality, but you will give preference to your home manufacturer. You have to make the product attractive in quality and price to sell it abroad.

Q. Now, in your own knowledge is not that the manner of doing business on the part of every European country as well as America?—A. Yes.

Q. In their export trade?—A. Undoubtedly; no question about that; to a very much greater extent than here.

Q. Would you say that Great Britain has acquired and maintained most of her market advantage by that trade?—A. Undoubtedly.

Q. She has sold in the export market irrespective of home prices, so as to gain the market and control it?—A. Not always true of England; no.

Q. To kill competition?—A. Yes.

Q. (By Mr. Jenks.) Will you take up the question—— A. (Interrupting.) I just want to interrupt you and say that American steel has been sold in the American market at as low prices in times of extreme depression as it has been in foreign markets, but it has been sold without profit. You know we do run for a space of time at a loss.

Q. Would you say that when business is in a normal condition the export prices are regularly somewhat lower than home prices?—A. Oh, yes; always.

PERCENTAGE OF PRODUCT EXPORTED BY THE CARNEGIE COMPANY.

Q. About what percentage of the product of the constituent companies of the United States Steel Corporation has been exported during the last year?—A. I could not give you those figures. I do not know what they are. I have not compiled them as yet.

Q. (By Mr. Phillips.) Can you give the per cent of the Carnegie works?—A. Well, I could figure it out. I know the Carnegie people exported 70 per cent of all the steel exported, but I could not give you the tons. I do not remember. I will furnish you with that data if you would like me to do so, if you will make a memorandum of that. I do not like to guess at it, and I do not know.

PERCENTAGE OF STEEL INDUSTRY CONTROLLED BY THE UNITED STATES STEEL CORPORATION.

Q. You spoke of the per cent of the steel industry that the Carnegie Company controls. Could you give the commission about the per cent of the whole steel industry that the United States Steel Company controls?—A. Well, yes; I think it is between 65 and 75 per cent. It will vary with times. I think in very prosperous times the percentage will be smaller; in very dull times it will be very much larger.

Q. Would you consider that per cent sufficient to make what would be called a monopoly of the business?—A. No; I do not think so.

Q. You do not think 75 per cent of an industry would enable the company to fix its prices absolutely?—A. No; I do not think so, especially when there is not a great demand—these prices are naturally fixed, whether there is a consolidation or not, in times of great demand. In times of great depression the chances are that when we take anything like 70 per cent of the business, the company would be unable to fix the prices. It is when the demand is such as would enable everybody to run full that you can get better prices, and that would naturally occur whether you are consolidated or not.

ADVANTAGES FROM CONSOLIDATION—SPECIALIZATION IN MANUFACTURE.

Q. (By Mr. Jenks.) When you speak of 75 per cent of the business you refer to practically all the lines of steel manufacture?—A. Yes. Now, another great advantage that I would like to have you familiar with is this: There has been tremendous expenditure in making use of other properties in these lines that will probably not go on so extensively under the new organization. There will be no necessity for ten people starting into the manufacture of rails, for example, if you can put all that expenditure into improvements and additions to two or three of the plants, and the other plants can be put on other things; and therefore instead of extending your different plants in a great variety of lines, you can rapidly specialize them and extend them in special lines, which you can easily see is a great advantage in manufacturing.

Q. Can you give anything like an estimate of the percentage of savings from any one or from all of these sources that you have enumerated?—A. I can not; I have never made an estimate. I think it would be a very difficult thing to do.

Q. I believe the statement was made here by a witness somewhat earlier that in comparing carefully the costs of the manufacture of certain qualities of steel before

the organization of one of these constituent companies and afterwards, the cost being worked out in detail, he was able to reach a pretty definite conclusion.—A. Well, if he puts it in that way, he probably could. I will illustrate that advantage by this: I always made it a practice at our works if we had three departments, for example, making the same goods—let us say, we had three open-hearth departments in the same works. Now, most managers would have put those three departments, making the same lines, under the management of some one good man—I never did. I put one good man at each of them and then I rivaled one against the other, and in that way got better results. And so this consolidation of interests will do the same thing. It will put one works as a rival against another works, as to practices, wastes, supplies, everything that goes into cost, and in that way will undoubtedly produce the best results. That is one of the advantages of consolidation, of working together.

Q. And the difference between your costs after this has been perfected and the costs as they were earlier——A. (Interrupting). It is hardly fair to ascribe that to this reason, because it might have been accomplished in other directions.

PROTECTIVE TARIFF DESIRABLE ON HIGHLY FINISHED STEEL PRODUCTS.[1]

Q. Now, will you take up for a moment the relation of the tariff to the export price?—A. Yes, if you would like; if you will ask me the questions.

Q. You are exporting at the present time large quantities of steel?—A. Yes.

Q. Do you think that the protective tariff on steel is any longer desirable?—A. I do, especially in certain lines. You take the lines of steel manufacture in which labor forms the largest part of cost, and you must have a protective tariff or reduce your labor. Now, on lines of steel in which labor does not form an important part, it is perhaps safe to say that we have reached a point where we do not need the tariff. Let us take the question of billets, for example. The cost of billets over pig iron or over ore, whichever you choose, as far as labor is concerned is very slight. But you take the case of rails or tin plate and the highly finished articles in which labor forms a very important element of cost, and remove the tariff, and you lose the trade or you reduce your labor. That is such a simple proposition to me. Now, what do we export? We are not exporting tin plate to-day. Why? Because we simply have not the advantages of manufacture. Our labor is too highly paid to enable us to do that. But we do export largely rails and billets, because labor does not form the important part there that it does in the higher forms of manufacture.

Q. (By Mr. Litchman.) Your opinion is that a reduction of the tariff means a reduction in labor?—A. It does where labor forms the important part of the cost. It has been a singular thing that the lines in which we have exported have been the lines in which the least labor is expended.

Q. Does that statement apply to skilled or unskilled labor?—A. Oh, all classes, but especially skilled labor; but I could safely say all classes of labor. This is what has been rather remarkable. You have seen in most discussions of this question that Americans have been able to export largely by reason of their superior facilities for manufacturing, but if you will stop to think of it, the large export has been done chiefly in those lines in which labor has not played an important part, like rails, billets, and things of that sort.

REMOVAL OF TARIFF ON RAILS WOULD GIVE ENGLAND ADVANTAGES AT CERTAIN POINTS.

Q. (By Mr. Conger.) Could the tariff be taken off rails without serious injury to your business?—A. Oh, it could in the eastern states, but not where rails can be shipped from England to California as ballast in outgoing ships, for the interests of the railroads by which we ship overland, and the long distance to California, make the rate of freight higher for us than it is from England; and in that way the removal of the tariff would be felt. Do I make that clear? I might say with reference to the great bulk of our rail business generally, that the rail is in the class I speak of as billets; it is not a highly finished article.

HIGH FREIGHTS ON RAW MATERIAL WOULD PREVENT ESTABLISHMENT OF PACIFIC COAST PLANTS.

Q. (By Mr. Jenks.) If the tariff on rails were removed, would it in your judgment lead to the establishment of some of your plants on the coast, so that you could supply some of those remoter markets by water?—A. I think not.

Q. Why not?—A. You speak of the Pacific coast?

Q. The Pacific coast and possibly some of the Gulf States.—A. I think not, because to get three or four tons of raw material there to make one ton of finished product would more than counterbalance the advantage of location.

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[1] See pp. 465–466, 494, 516.

UNITED STATES STEEL CORPORATION SUPPLIES ITS OWN COAL.

Q. What do you think of the tariff on raw material—on coal, for example?—A. I would rather not speak of that. I have not studied the tariff on that. We are not sellers of coal, and we are not further interested than supplying our own companies that haven't any.

Q. Do you own mines enough to supply your own coal?—A. Yes; we supply our own coal, but we are not sellers.

Q. Do you buy some coal?—A. Yes; we do buy some coal, but as a broad principle we supply ourselves by ourselves in our lines of raw material. The reason I say not entirely, is this—that many of these subsidiary companies have not had their own mines. They have bought coal. We have assumed their contracts, and conditions exist as they are; hence we are purchasers of coal for some of the constituent companies just as some of them were purchasers of coke in the past. Now we want to supply these companies from our mines.

Q. (By Mr. PHILLIPS.) You do not expect these companies to continue to purchase?—A. No; we do not.

Q. You expect——A. (Interrupting.) To purchase from some of the other companies—from some of the companies in the United States Steel Corporation.

BASIS ASSUMED IN FIXING THE PRICE OF ORE.[1]

Q. (By Mr. JENKS.) You have spoken of the prices of your finished product being determined to a considerable extent by the prices of the raw materials that entered into them. Would you say that the United States Steel Corporation, owning all its ore, should in its bookkeeping assume higher prices for ore when there is a strong demand for the finished product?—A. I did not refer to that; it ought not on that basis, but it is perfectly fair. The supplies that I spoke of were supplies other than those which we supply within ourselves, and they are many. Take the matter of tin in making tin plate; that is a very important element, which we do not supply ourselves; and many things used in the galvanizing of wire and tubes, and also in the making of armor plate, we do not supply ourselves. A great many things, all of which we buy, have an influence on the cost, and consequently on the price. But this is fair. There is a known quantity of ores in the United States, and as far as the best geologists can determine this ore region is not likely to be extended. Now, I think it is perfectly fair for the United States Steel Corporation, in view of that fact and knowing that it owns a given tonnage of ore, which can be very closely estimated, it is quite fair for them to fix a liberal price upon that ore, because in years to come it is going to be exceedingly valuable—very valuable.

Q. Would you vary the price of the ore with the demand for your finished product?—A. No; we would not. We might say we would charge this in for the purpose of reducing our profits, but the prices for their interest for ores ought not to be charged on ores. We ought to fix the prices that we think the ore is worth. That is the basis of it all. If we fix a price for ores it ought to be maintained under all conditions, and then whether we take our profit on the ore and lose it on the steel, or vice versa, it would not make any difference. But the value of these plants has been much underestimated by people who can not appreciate the limited quantity of raw material that is available in the United States, or the world for that matter, for the manufacture of steel. For example, England's manufacturers thought years ago that they had an unlimited supply of raw material; they went ahead using it; to-day the question of manufacture of steel in England is largely one of procuring the raw material. They did not place nearly a high enough estimate on the value of the materials which they had in England. Now they are going to Spain and Sweden, and even taking some ores from America. And that ought to show us the value of the ore deposits which we have in America; and I am constantly talking to our people about putting a sufficiently high valuation upon ores, because at the rate they are being used they are not going to last many years.

EFFECT OF THE REMOVAL OF THE TARIFF ON ORE.

Q. (By Mr. C. J. HARRIS.) Would it injure your business at all if iron ores were admitted free of duty here?—A. I think not.

Q. (By Mr. JENKS.) You have no objections to the removal of the duty on ore?—A. I think that is practically the case now. I think that is practically the case for this reason, that materials imported for finishing that are ultimately exported have the tariff rebated on them. Any manufacturer of steel will probably export enough finished steel to get his rebate on the imported ores, so there is practically that condition now.

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[1] See pp. 464, 467, 472–473, 514–515.

Q. (By Mr. CLARKE.) How do you think the admission of ores free of duty would affect the miners of Port Henry, N. Y.?—A. Well, it would undoubtedly affect them somewhat, because that is a mine in the eastern district. I am not familiar with the details of that, but I should judge it would naturally affect them, because that is one of the large deposits in the East with which imported ores would compete.

Q. (By Mr. A. L. HARRIS.) What effect would free ore have on the American consumer of the finished product?—A. Oh, I don't think any. I do not think any, because even with free ores the great bulk of the supply must come from the northwest and it would not make any serious difference.

Q. (By Mr. JENKS.) We have some steel manufacturers on the coast, haven't we?—A. Yes; the Maryland Steel Company.

Q. Would this matter of free ores affect them favorably?—A. Undoubtedly; but I say they practically have free ore now.

TARIFF ON SCRAP AND OLD IRON.

Q. (By Mr. KENNEDY.) It was testified yesterday afternoon that the tariff on scrap iron and old iron prevented the starting up of manufacturing industries along the Atlantic coast; is there anything in that?—A. I could not speak authoritatively on that. I should not imagine it was true, however. I could not say definitely. I have never considered it in that way. It would be a matter of figures, but I do not think it an important question as affecting the whole broad situation. It may be a local question.

Q. (By Mr. LITCHMAN). Could there be a removal of the duty on the raw material without a corresponding reduction of the duty on the finished product?—A. Well, in what line do you especially speak?

Q. In all lines.—A. Well, for example?

Q. Let me put my question in this form: Would a reduction of the duty on the raw material which your corporation uses be permitted without a corresponding reduction on the finished product of your corporation?—A. Well, I am trying to think of the raw materials we use on which there is a tariff.

Q. It is claimed that there should be a reduction or abolition of the duties on raw materials. I do not know what it means but that is the stock argument now. Then if there is a reduction on the raw material, would there not be demanded an equal reduction on the finished product that that raw material goes into?—A. Well, I think the question is not a practical one as applied to iron and steel. I do not mean the question is not a practical one—the condition is not an actual one.

Q. I understand what you mean. I would like for you in some part of your testimony to take up the question of the distribution of the ownership of stock, and its control, as compared with the limited ownership in the constituent companies—the distribution of stock perhaps in a larger number of hands.—A. Yes; very glad to.

Q. (By Mr. JENKS.) Do you import any scrap?—A. No; not within my knowledge. To the best of my knowledge we do not.

Q. The duty on scrap as I find it here is $4 per ton.—A. Yes. Oh, now, I do recall some instances of where we bring scrap in from Canada. I was thinking of European export, but we do bring scrap in from Canada, and we always ship enough stuff out on which we get a rebate on that scrap so that as a practicable question there is no tariff paid on it.

Q. The question might come up in another form; if this duty of $4 per ton were removed, would it make any difference in the cost of your manufacture—enough so that you could perhaps manufacture for the home consumption from that scrap without getting the rebate?—A. The amount is so small—the quantity is so small—it is a mere trifle. I should not estimate it at half of one per cent; scarcely enough to affect the whole situation.

Q. (By Mr. LITCHMAN.) It is claimed if the duty was removed it would be infinitely larger.—A. Now this again might apply with much more force to some local affair. I am not prepared to say that it would not, some local affair that is dependent on that source for its supply, but considered as a broad question I speak of it.

Q. (By Mr. C. J. HARRIS.) Do I understand you to say that your company imports any amount of iron ore?—A. No; none at all.

DISTRIBUTION OF CAPITAL IN THE UNITED STATES STEEL CORPORATION AND IN THE CARNEGIE COMPANY.

Q. (By Mr. JENKS.) The question has been asked whether capital is more or less widely distributed under a great consolidation like the United States Steel Corporation?—A. I do not know; I could not say.

Q. (By Mr. LITCHMAN.) You have stated that under the Carnegie organization the ownership of stock was, comparatively speaking, limited?—A. Yes; it was a unique concern in this respect—that practically all the stockholders in the Carnegie company, other than Mr. Carnegie, were people without capital who were given stock for their services, and hence they retained it. You understand that.

Q. Now, in the organization of the United States Steel Corporation, the stock is sold on the market generally?—A. Yes; it is.

Q. From that fact would not the ownership be more widely distributed?—A. Yes; there would probably be a great many smaller owners, although this should be said, that argument, that reasoning, applied only to the Carnegie company; because the stocks of all the constituent companies had previously been sold on the market, so it is a grave question whether the ownership is any more widely distributed as a whole.

OPPORTUNITIES FOR WORKERS UNDER FORMER AND PRESENT CONDITIONS.

Q. I have here an article contributed by you to the North American Review, in which this language is used, which I will quote. [Reading:] "Under the old individual business scheme the skilled worker had only limited opportunity for increased pay, and practically no opportunity for a partnership participation. Business enterprises, with a few notable exceptions, were held as close family corporations. Outsiders were rarely admitted. No matter how expert these outsiders were, they were held all their lives on a salary. The concerns where this rule did not apply expanded much more rapidly than their competitors, but the example so set was apparently not sufficiently attractive to induce its general application. It remained for the system of combination to make this scheme general, and to open up for young men of brains opportunities that heretofore have been closed to them." You see no reason to change that opinion?—A. None, whatever, and I am not changing it when I explained to you a few moments ago that I had attempted to put this whole scheme on such a basis that the skilled operator and the valuable man would make something other than his salary, and that other than his salary would be some holding in the company, and that is what I have just said we did in the Carnegie company.

Q. You think these companies do not restrict the opportunities for the mass of men to enjoy their profits?—A. Quite the reverse. I think there was never a greater opportunity. The opportunities for any man, workingman, or manager, or any man who has to use his brains, were never so great as they are to-day. Never has there been such a scarcity of the special men that great manufacturing concerns and capitalists desire.

CONSOLIDATION AFFECTS SUPERINTENDENTS AND SALARIED CLASS, NOT LABORERS.

Q. There is one other question that seems to me to go in harmony with that. You have explained that these combinations have resulted in the throwing out of large numbers of men that have been employed by the constituent companies and who are no longer necessary for the combination. Have you anything to say to that on the part of the United States Steel Corporation?—A. It is true as applied to the directorate, as applied to the class that directs and superintends. It is not true as applied to any other classes.

Q. Not true as applied to the labor?—A. Oh, no, certainly not. It does not affect that in any particular; but it is true as applied to the directing class, the higher salaried class and the superintendents and men of that description.

OPPORTUNITIES FOR MEN WITH LIMITED CAPITAL.

Q. (By Mr. PHILLIPS.) Well, do you think that men of limited capital can start in business and become large owners as readily now under this system as they did formerly?—A. I do not quite understand that.

Q. Has a person or a company with limited capital the same opportunity to start in business and become large proprietors or owners under the consolidated system as there was formerly?—A. Well, if you put the question that way, I think the man with exceptional ability to-day has a better opportunity of becoming a large owner or a large director in one of these great companies than ever before. If you say the man with capital at the start, small capital at the start, I doubt it.

WAGES PAID BY CARNEGIE COMPANY BEFORE AND AFTER 1892.

Q. (By Mr. Jenks.) What has been the course of wages paid to the ordinary skilled operative in the Carnegie company during the last few years?—A. Well, now you want me to treat of that subject as an average wage?

Q. Perhaps you had better do that if you can first, at any rate.—A. Because this is a subject that we all enter on with a little reluctance, but I am going to speak frankly just what I think. The average wage received by the employees of the Carnegie Steel Company since 1892 has been greater in each year since 1892 than in any year previous to 1892.

Q. Including the depression of 1893 and 1894?—A. Yes; the average earnings of the wages of the employees of the Carnegie company have been greater in every year since 1892 than in any year preceding 1892.

Q. Annual wages?—A. The average annual wages, yes. But this ought to be borne in mind, that there is now at the Carnegie works no aristocracy of labor by which one man receives $100 a day and another $1. The average has been made greater by what we consider a better distribution of the wages.

PRESENT AND FORMER LABOR CONDITIONS AT THE CARNEGIE PLANT.

Q. Can you go somewhat into detail and contrast the present with the preceding conditions in order to explain the significance of that statement?—A. Well, up to 1892 we had labor organizations. Since 1892 we have had none. I would like to call attention to that remarkable fact. When I say none, I mean of our steel workers. It is true we have some labor organizations on our docks, but they are of small moment. There are always exceptions in such great questions, and they are mainly exceptions. Now we have no labor organization at any of our steel works, and as a result of that we have been able to pay greater wages on the average, but not as high wages to certain men who occupied high positions in which the wages were fixed by the labor organizations, on a scale which we considered unjust. For example, labor associations fixed the rate for rolling at mills in the same district at a certain rate per ton, and the earnings were fixed upon the average output of that mill. Now, it so happened that our mills made three or four times the average output, with the result that a man employed there, without doing practically much more work, made three or four times what it was intended he should receive as an average, you understand. The result of that was that we had what I always termed an aristocracy of labor, men who were unjustly paid higher wages than they ought to have had. Some of them have even said to me that they knew their wages were not right, but they had to be paid that rate per ton in order to maintain that rate per ton in some mill that only made one-fourth the output, and so to enable that man in the poorer mill to make a fair wage. Now, that is the reason why we have been able to pay lower-priced men better, and we have been able to pay higher-priced men less, and the average of all the men has been much more, as I said. Even during the depression it has been greater than in any year before. Speaking for the Carnegie company now, it has been greater in every year since 1892 than during the years of organized labor preceding 1892.

Q. Before 1892 about what proportion of your workingmen were union men?—A. Well, it varied each year; I should say along about 1889, 80 per cent. Oh, nearly all our work was under the control of organized labor, but just what percentage of the workingmen were not in the organization I am unable to say. It was not a very large percentage; probably not over 20 per cent of the total.

ORGANIZATION OF LABOR SOMETIMES A DETRIMENT TO INDUSTRY.

Q. Did you find that the rules of the organization limited the output of the individual men?—A. Yes.

Q. To a detrimental extent?—A. Yes. In speaking before the British Iron and Steel Institute a few years ago I said that I thought that one of the two chief reasons why England could not compete with America was because of the unreasonable rules followed by their organized labor, primarily. I remember a comparison at that time showed that the output of the same machines there was only about one-third of what it was in America.

Q. And that lesser output, you think, was due to the influence of organized labor?—A. Of course; the fact that the capital in your plant is producing one-third of what it could produce adds very much more to the cost of production, although not much to the wages of the men.

Q. You thought that lessening of the output was due to the rules of the union?—A. That was due to the rules of the union.

Q. (By Mr. Farquhar.) Previous to 1892 the Carnegie works were operated by men under the control of the Amalgamated Association?—A. Yes.

Q. You were then working with a sliding scale, were you?—A. The sliding scale applied to some of our works and not to others.

Q. Can you discuss the sliding scale in connection with these workingmen's wages? Do you think it is fair to have an agreement long enough to cover contracts for either domestic or foreign sales, whereby workingmen can cooperate with employers in framing a fair scale for both sides and keep steady employment without a strike?—A. It has never been so much a question of wages with any of the workingmen's organizations. That has been clearly demonstrated in the statement I made with reference to our earnings when we had the fixing of wages. I think that is sufficient proof of that statement. It has not always been a question of wages. It has unfortunately been a question of more vital importance relative to the management and the operation of our works. I do not know how you are going to fix that. It is a serious question that confronts workingmen as it confronts those who treat with them. For example, I remember during my superintendency of the Homestead Steel Works, that at one time the labor associations took it upon themselves to select their own foremen and to select the men who should succeed them in case of a vacancy. I have no doubt many of you gentlemen remember similar things. I do not think any commercial business can grow and prosper under such conditions.

Q. But those conditions, you will concede, have passed away in a great many of these organizations?—A. I do not know. I have not had anything to do with labor organizations since 1892.

Q. Do you know of any fairer way in the employ of labor, especially in the steel manufactures, than some agreement of a sliding-scale form, as far as wages go, leaving the administration aside?—A. I would see no objection to that whatever.

Q. For instance, if you take the unit of the billet, if the price rises the wage goes up, and if the price is depressed of course it goes down?—A. We are non-union at our rail mills at Braddock now, and we regulate the wages by the sliding scale.

Q. At Braddock?—A. Yes. As rails go up the wages of the men advance, and as rails go down their wages go down. But we fix a minimum beyond which they shall not go down, so the workingman shall not suffer on account of too keen competition on the part of the firm. We have established a minimum, but no maximum. And we have no union.

Q. When you took over these concerns into the steel corporation, the scales were signed at the amalgamated rate. Are those scales in force in the same concerns?—A. Undoubtedly. We would not abrogate them under any consideration. We live up to our bargains.

Q. Will you say they will always be continued?—A. I will not answer.

LABOR ORGANIZATIONS ARE DETRIMENTAL TO THE LABORERS.

Q. (By Mr. Litchman.) Are you not likely to have an acquaintance with organized labor in the immediate future?—A. Quite probably. But, still, I do not think I shall. I think that will fall to the lot of the president of the subsidiary concerns.

Q. (By Mr. Farquhar.) You say you do not know much about this organized labor. Are you aware that there is a mass of testimony before this commission as to agreements between employers and employees, lasting from 12 to 18 months or 2 years, agreements existing in all the trades—the molders and carpenters and building trades and others; and that there are no strikes?—A. No strikes during that period.

Q. During that period, of course.—A. That is quite right; but the periods recur pretty often, and it gives a good excuse for differences.

Q. I think it is a compliment to you to say that you came up from the ranks. It would be desirable to keep away as much as possible from the friction that has been common to organized labor and capital in this country, would it not? I do not ask you to define the policy of your company.—A. No; I will not give you that. This is what I say from a careful study of the whole situation; that if I were a workingman—as I was—if I were a workingman now in one of these mills, especially if managed under the broad policy under which I hope the steel manufacture is administered, I would not want to belong to a labor organization. It puts all men, no matter what their ability, in the same class of work, on exactly the same level. If I were a better workman—quicker, smarter—than the other men I would want to reap the benefit. I would not want to be put in the same class with the poorer man, which they must do. If we have 500 men employed at the same class of labor the wages paid will be the same—must be the same paid to the same class. The level is that of the poorest

man in that department. As a workingman I would not advance, and I would not be able to show superior ability over any other if I were in an organization. That is my own personal view.

AVERAGE AND MINIMUM WAGES PAID AT THE HOMESTEAD STEEL WORKS.

I think it is a great mistake. I think the principle of these great companies is to preserve and give to their workingmen as high wages as they can possibly give them, and that has been the tendency always, especially in steel. In no line of manufacture that I know of have the wages been so good on an average as in steel. At the Homestead Steel Works during the last year (and it is not the highest paid; it is an average) the average wage earned by every man and boy employed at the whole works (and there are a great many boys and a great many foreign laborers), and I exclude salaried men—the average for every man and boy for every working day in the year, whether they worked or not—and many did not work all the time—was nearly $4 for every working day in the year.

Q. (By Mr. PHILLIPS.) What was the lowest wage paid?—A. To men, $1.50. That is the lowest paid to anyone. That is ordinary common labor.

Q. What proportion would they be to the other laborers?—A. That I could hardly tell you. I do not know. It is not very large, because that applies only to the foreigner who probably does not speak English and is unable to take any position requiring anything else but the poorest manual labor.

Q. There would not be a very large per cent of all the employees?—A. No.

MAXIMUM WAGES PAID BY THE CARNEGIE COMPANY.

Q. (By Mr. CONGER.) You have given $1.50 a day as the minimum; what was the maximum included in that average?—A. It is a little like what I heard at Weber & Fields one night. One man asked the other what he would do for $10,000. He replied he was ashamed to tell. But the wages have been pretty high. I could not tell you how high; I do not know. I know they were pretty high. I have seen the wages at the Homestead Steel Works, previous to 1892, for individual men, exceeding $100 a day.

Q. (By Mr. JENKS.) Is the work largely piecework?—A. Yes.

Q. (By Mr. KENNEDY.) Wages have been materially reduced for men doing that class of work?—A. Very much.

Q. Half or more?—A. More; a good deal more.

SUNDAY LABOR IN THE STEEL INDUSTRY.

Q. (By Mr. JENKS.) It has been suggested that in many of these steel establishments there is Sunday labor—in the Carnegie works. Will you tell us about that?—A. That is not true wherever it could be abandoned or abolished. Anyone who is familiar with steel knows that a great deal of the work must be carried on continuously. There is no other way to do this. It is a practice all over the world. Now, the Carnegie Steel Company, like many others, have started their works on Sunday night. They have stopped on Saturday at two o'clock, and started Sunday night at five, and the reasons are these: If during that period they did not start, the chances are that just as many men would have to be brought out to the furnaces to handle the product on Sunday night as would be necessary to run the mills on Sunday night and do that handling. I would have been perfectly willing, and I have said to all the people in our employ, that we would be perfectly willing to stop Sunday. "Let us work late Saturday night, if you like, and start early Monday morning." They said to me, "You only want to stop 24 hours." I said to them, "I am willing that you shall make that 24 hours at any time." That is practically as long a period as you can stop those things without great loss and extra labor. We would be willing to run our works until 12 o'clock Saturday night and start early Monday morning. We would do anything that is fair or that is in our opinion possible to do. We do not do any Sunday labor that can be avoided. We can not start up without having to take care of this accumulation of molten metal. We would start them up Monday morning, but the steel process is of such a character that we have to do it continuously. You must run continuously from the ore, and you can not stop the consuming part of that very long. As a matter of fact, I once took a vote amongst our workingmen, and the majority of them voted that they wanted to continue the practice of working Sunday night and having Saturday off.

BENEFIT FUNDS FOR EMPLOYEES IN THE CARNEGIE WORKS.

Q. Would you tell us with regard to the benefit funds for the workingmen in the Carnegie works?—A. We have been somewhat peculiar, as we have not permitted any mutual benefit fund. We have not asked the workingmen to contribute anything. We have taken care of the sick and disabled men—the firm. Later, Mr. Carnegie has put aside a large fund ($5,000,000), the interest of which is to be devoted to the pensioning of injured or disabled or wornout workmen. In no sense, however, does that conflict with the previous practice. It is in addition.

Q. (By Mr. Phillips.) Is that pension classified according to the position the man held?—A. That is left entirely in the hands of a committee appointed to examine into the circumstances of each particular case.

Q. (By Mr. Jenks.) Of whom is that committee composed?—A. Three of our superintendents who are familiar with the workingmen—from the Homestead, the Braddock, and the Duquesne works—who are in close touch with all the workingmen. They have the administration of the fund.

Q. It has been your policy before to look after the workmen in the way you suggest?—A. Oh, yes; we have always done that, and I think it is the policy or the practice of all the constituent companies.

PERCENTAGE OF ACCIDENTS HAS BEEN REDUCED.

Q. (By Mr. Phillips.) Is the proportion of accidents to the number of men greater or less in the larger establishment than in the smaller ones?—A. The percentage of accidents is much reduced.

Q. Have you kept a record of the accidents which occur every year?—A. Very accurately.

Q. Do you care to give that to the commission?—A. I will do so. I haven't it with me.

COMBINATIONS PROMOTE INVENTION.

Q. (By Mr. Litchman.) It has been said that by these combinations the inducement to invention and the development of latent resources is stifled.—A. It is quite the reverse. Never has the manufacturing world been so anxious to pay for an invention as to-day, and never have they commanded such high prices as to-day. Men have received better compensation for inventions and new processes, and are receiving them to-day, than ever before in the history of the business. Salaries of skilled men have never been so high, and I think they will continue probably to increase.

ADMINISTRATIVE ABILITY UNDER LARGE COMBINATIONS.

Q. (By Mr. Farquhar.) Is there a point in capitalization, reaching beyond the millions, where it would be almost impossible to hire administrative ability sufficient to run a concern without loss?—A. I would only say it is a matter of the greatest difficulty to-day.

Q. In your article in the North American Review you touch on the matter, saying you feel safe so far, but is there such a thing as not being able to find personal administrative capacity to conduct a capitalization much beyond yours?—A. It is true that we may reach such a point, but it is a long distance off yet, I think.

Q. When you consolidated and intrusted to one man the management formerly belonging to ten, has that man his own personnel——A. (Interrupting.) Each man surrounds himself with a personnel—with a staff of officers that are accustomed to working with him. No two men have the same personnel. A man that has been trained many years in manufacturing will probably want men of business ability working with him, and vice versa. But it depends altogether on the selection of his staff and his ability to give that staff his ideas of management. That is the chief thing.

Q. Are your present managers practical men or simply business men?—A. In most instances they are practical men, but we have both.

Q. In the management of a great concern, which do you regard as the more important, the business abilities of a man or his practical knowledge of production and manufactures?—A. It has changed somewhat by reason of these consolidations of capital. In these great consolidations of capital practical men are those who are likely to rule the manufacturing part of the business.

CAPITALIZATION—PROPORTION OF TANGIBLE ASSETS.

Q. (By Mr. JENKS.) I should like to go back to the question of capitalization for a moment. In the case of the United States Steel Corporation, about what proportion of the capitalization could be counted as tangible assets?—A. It is entirely a question of what you put in your raw materials at. If I were valuing the raw materials in this capitalization, it would not be big enough.

Q. Do you refer to the ore mines?—A. To ore, coking coals, and things like that. I claim they are of much more value than people as a rule have ever given to them. This company, for example, has over 500,000,000 tons of ore in sight in the northwest. Now, it does not take many dollars per ton on that ore alone to equal the capitalization of these concerns. We own something like 60,000 acres of Connellsville coal. There is no more Connellsville coal. You could not buy it for $60,000 an acre. Now, it depends altogether on the value you put on that raw material as to what your capital ought to be.

THE PROBABLE DURATION OF THE CONNELLSVILLE COAL SUPPLY.

Q. (By Mr. PHILLIPS.) How long do you think, at the present rate, will be required to use up the Connellsville coal?—A. If manufacture increases in the future—if the consumption of steel increases in the future as it has in the past, I believe the Connellsville coal will be exhausted in 30 years. If the consumption of iron ore in the northwest goes on as it has in the past, the ore now known will not last very long—some 60 years.

Q. (By Mr. C. J. HARRIS.) The amount of Connellsville coal you have in sight would probably be largely increased by future developments?—A. There is none to develop. Of course, there are other coals; but it is a well-known fact that the Connellsville coking coal is an ideal coking coal for manufacturing purposes. Now, the Connellsville coal field is very clearly defined and every acre of it is very highly prized, and that is owned by all these constituent companies *in toto.* Now there may be developments of coal in other directions, but nothing like this coal. Hence very much depends on the value you put on the raw materials.

Q. What do you mean by "in sight?" Do you mean the entire amount of iron ore there?—A. All that has been discovered. You know iron-ore runs in ledges and in such ways that you can very nearly tell the amount that is there. And that is what I mean by the term "in sight." It is rather an ambiguous term, but it is usually referred to in that way.

FOREIGN ORE FIELDS.

Q. (By Mr. CLARKE.) Has your company or its constituents acquired any iron ore or coal in any other country?—A. No.

Q. Is there any negotiation pending for the acquisition of any such properties?—A. No. You said iron ore. It is true that manganese ores are nearly all brought from other countries.

Q. (By Mr. PHILLIPS.) Is there any considerable amount used?—A. No; there are not 5,000 tons of manganese consumed monthly in the United States, roughly speaking.

Q. (By Mr. LITCHMAN.) Do your constituent companies use any Cuban ores?—A. No.

Q. Or any billets made from Cuban ores?—A. No.

EXPORT AND DOMESTIC PRICE OF STEEL RAILS.

Q. (By Mr. JENKS.) I should like to go back for a moment to the question of export prices. You said that during last year the export price was considerably lower than the price in the United States. Would you mind giving us definite figures?—A. I have not them at hand, but it would vary with each article.

Q. Suppose you take the case of steel rails. Could you give us about the difference between the export and the domestic price?—A. I would have to make a guess. I do not know definitely. The export price was about $23 a ton.

Q. And the price here?—A. Was $26 and $28.

Q. At the same time?—A. At the same time.

Q. In making these export prices, are the export prices at all uniform, or do they vary?—A. They vary with the competition we may have.

DOMESTIC TARIFF A HELP, FOREIGN TARIFFS A HINDRANCE.

Q. (By Mr. CLARKE.) I would like to ask if, in your opinion, the tariff in any way stands in the way of the growth of the steel business, either domestic or foreign?—A. No; I think not. I think it is a great help, especially in those lines of very highly finished articles in which much labor is employed.

Q. (By Mr. KENNEDY.) Is there any foreign tariff that stands in the way of the development of your business?—A. Yes, indeed. You are quite right about that. If we could succeed in getting the tariff off in Germany and France and Austria, it would help us very much.

Q. (By Mr. LITCHMAN.) Does not that same reasoning apply to our tariff as it comes in contact with the products of foreign steel mills?—A. I think so. But I think we are looking out for ourselves first.

CAN PRICES BE DICTATED TO EUROPEAN MANUFACTURERS?

Q. (By Mr. FARQUHAR.) What have you to say to the public expression that the United States Steel Corporation, controlling 80 per cent of the whole manufactured product of this country—— A. (Interrupting.) Seventy per cent.

Q. Controlling 70 or 75 per cent, can dictate the price for European manufacturers?—A. I do not know about that. I think manufacturers here did that before the formation of the United States Steel Corporation just as extensively, and they will probably do it now. I think it likely that export business will be greater in volume in the future than in the past, because some of the smaller constituent companies had not been organized, as some of the larger ones have been, for conducting an export business. The percentage they would have exported would have been so small it would not have justified their establishing extensive foreign agencies for doing this business. Now that will probably be done through a consolidation of foreign agencies and a greater tonnage will be taken.

STEEL CORPORATION CAN NOT ABSOLUTELY FIX PRICES.[1]

Q. (By Mr. A. L. HARRIS.) You do fix the price for the home consumer?—A. No. I think I explained that to the chairman. It does not require over 30 per cent in any kind of capital or business, I think, to control; because a man owning 30 per cent or 40 per cent of that can usually collect about him enough people who think as he does to direct the policy. Therefore, I do not think 70 per cent can absolutely fix a policy.

LACK OF AN AMERICAN MERCHANT MARINE.

Q. (By Mr. FARQUHAR.) Given a big merchant marine to zone almost the world's markets, do you think then that America could control prices in the steel trade?—A. More largely than ever. One of the chief difficulties of an extensive foreign business is the lack of American shipping. I have given this much thought. It costs more to send a ton of billets or rails from Pittsburg to European shores than it costs the Pittsburg manufacturers to make a ton of steel from the pig iron. Now, then, I claim that steel products are the most desirable class of ocean freight known, and that they ought to be carried from New York to Liverpool, let us say, for about one-half present cost, and carried profitably, when ships are arranged for the purpose. But you can easily see that when we have to employ foreign shipping to carry our products, they are not going to do it without very great profit to themselves as against the people who give them business on the other side.

Q. You think the trade is constrained considerably by the fact that the bottoms are owned in Europe and that America is competing with Europe?—A. No question about that.

Q. You think that is human nature?—A. I know it.

Q. And business nature?—A. Certainly.

Q. Have you anything to say about the present plans of Mr. Morgan and others in acquiring these foreign lines?—A. No; I could not say anything about that.

Q. (By Mr. KENNEDY.) I would like to ask you whether you see the possibility of a world combination in the iron and steel industry, which would have no regard for tariffs in any country?—A. I do not think it is possible.

EFFECT OF REMOVAL OF TARIFF ON IRON AND STEEL PRODUCTS.[2]

Q. (By Mr. CLARKE.) How would you regard a proposition to repeal the duties on iron and steel goods that compete with the products of your works?—A. It would depend on the goods. As I said, if they are goods that are of a high class and on

[1] See p. 513. [2] See pp. 456, 494, 516.

which there is a great deal of money expended for labor, we ought to have a tariff to protect that labor. If not, I do not think we need it. But the consistency of a tariff on some things and not on others I am not prepared to discuss. I do not know.

Q. What is your idea of the proposition to discriminate against the goods produced by what is called the Steel Trust?—A. I do not know the Steel Trust. I do not know what that is.

Q. I mean the United States Steel Corporation as it is popularly referred to.—A. Let us see. I could not answer that question as a whole. It would have to be specific.

PROPOSED REPEAL OF THE TARIFF ON CERTAIN STEEL PRODUCTS WOULD INJURE LABOR.

Q. Has your attention been called to the bill introduced in Congress by Mr. Babcock, of Wisconsin?—A. What was that? I do not recall it now.

Q. That was a bill to repeal all duties on steel goods produced by the trust, as commonly called.—A. Oh, yes; I know in a general way. I do not see that that would do anybody any good. It would not hurt anybody in those lines where we did not need a tariff, and the only persons it would hurt in those lines where we do are the working people. You ought to bear in mind that the cost of making steel is very largely one of labor, no matter from which point you take it. After you fix a price on your raw materials that you think is fair, everything else entering into it is labor. People say labor does not form a very considerable part. Here is $5 for steel and the labor is 50 cents. But everything that goes into the finished product has had labor expended on it at some time, and labor is by all odds the one really important item of cost; labor in the nickel mines that give us the nickel; it may be in the manganese mines that adds to the cost of the manganese ore; it is the cost of labor to the railroads that adds to your freight; and so on all along the line—it is labor, labor, labor everywhere.

Q. (By Mr. Phillips.) Still there is not so much labor employed on steel rails or billets as on finer products?—A. No; and therefore the reason for a duty on the finer products is so apparent.

Q. (By Mr. Clarke.) Do you know of any reason why the duties should be taken from the finished products of steel mills and not from the iron ore?—A. As I explained before, that is an impractical problem, for the reason that the ores—speaking as a broad question—are not imported; they are all domestic. Hence the taking of the duty off the ores cuts no extensive figure in the cost of making steel. It is not a practical question. Those who do bring in ore get the rebate on the finished product when shipped out, and it is practically free ore.

Q. Do you know of any reason why the duties should be taken from steel products and not from lumber products?—A. I do not know anything about lumber.

Q. Is it your opinion that there is anything in the conditions of business in this country at the present time which calls for an early general revision of the tariff?—A. I do not think so. I should like to see it left alone. That is my personal opinion. I think it is unwise to disturb these things when there is no necessity for doing it. The tariff on rails and billets is not enough to hurt, if you are not bringing them in. It may be inconsistent, but that is a point of view I am not prepared to discuss.

OUR TARIFF POLICY AND THE COUNTRY'S DEVELOPMENT.

Q. (By Mr. Farquhar.) Do you agree to the proposition that all the wealth of this country has been created through its development?—A. Its development of its natural resources.

Q. Do you think the tariff policy of this country for the last 40 years, that has maintained a people and a home market consuming 90 per cent of its whole product and kept within itself the whole product, is the reason of our great wealth?—A. Undoubtedly.

Q. Do you know of any other reason?—A. None, certainly, so important.

Q. Has it astonished you to see the amount of visible wealth now belonging to the American people and the Europeans in this country?—A. I won't say it has astonished me, I am such an enthusiast upon all these questions; but I know it has astonished the foreigners.

Q. You think it is a matter of the best business procedure on the part of this country, whether stockbrokers or manufacturers, to employ the use of that wealth in productive industry?—A. Undoubtedly.

Q. And that alone?—A. Certainly.

OVERCAPITALIZATION CAN NOT COMPEL CONSUMER TO PAY DIVIDENDS.

Q. (By Mr. A. L. Harris.) It is claimed that the seven constituent companies that compose the present United States Steel Corporation, outside of the Carnegie Company, were overcapitalized when they were organized, and that now the United States Steel Corporation is overcapitalized, and that the consumer will be compelled to pay a higher price for the product in order to pay dividends on this large capitalization. What have you to say about that?—A. Do you think that is true? If the dividends were too large on this large capitalization, is it not likely that the people who would claim to have a less capitalization would do the business at a lower price? Is it not a practical problem?

Q. I am stating what is worrying the people.—A. And I thought I would answer it by asking another question. Oh, no; I do not think so at all.

CAPITALIZATION OF UNITED STATES STEEL CORPORATION.

Q. How do you account for the large difference between the capitalization of the United States Steel Corporation (as it now stands capitalized) and the capitalization of the constituent companies, exclusive of the bonds issued in payment?—A. There is not a very wide difference if you come to think it all over. All these companies have added considerably to their assets since they were organized. You understand what I mean?

Q. Yes.—A. From the date of their organization up to to the present time they have added to their assets. Then I undoubtedly think that the coming together of all these interests, the owning of these stocks by one corporation, will undoubtedly enhance the value of them all for the reasons I have given in the line of economies, etc. I think, furthermore, that the values placed on raw materials in the shape of ores and coal have never been excessive, and the amount of capitalization depends entirely upon the value at which you put these ores.

Q. Now, as I understand, in taking over the stock of the different constituent companies you allow so much stock at par for some companies and at a premium to other companies. Was that premium to make up the difference between the value of the different constituent companies?—A. I could not speak authoritatively on that. I did not make the agreement. You must get that from Mr. Morgan. I only know what you know in that particular. I only handled our own concern. I am not familiar with the reasons that the others had.

VALUE OF THE ORE SUPPLY AS AN ELEMENT OF CAPITALIZATION.

Q. (By Mr. Phillips.) You spoke a short time ago in regard to the large amount of ore and coal controlled by the United States Steel Corporation. Now, is it fair, right, or proper to charge interest on the capital that is invested in these ores, which it will probably take 60 years to exhaust? Is it proper and right for one company to hold all that and then estimate the value of the ores by charging interest on that capital in advance?—A. Well, they have practically always done so. Not exactly in the shape of interest, but all these firms have had what they call an extinguishment fund, which I think is perfectly proper.

Q. (By Mr. Jenks.) This added value that comes from the fact that the quantity of ore is limited is, of course, a sort of monopoly value—not using the word in an invidious sense?—A. You have seen, in your own experience, how this increased value of ore comes from the limited quantity. Individuals may own a mine and they may think it is worth ten times as much as it was ten years ago, and they are probably right, because they see a wonderful development in the industry in this country. It is a natural increase in value, just as real estate will increase in value because of its scarcity and the need for it.

Q. And this high capitalization you yourself justify on the ground that owing to the limited supply of ore, its value must have been greatly increased?—A. I think so. I do not say that is the only reason for the capitalization, but you can fix the capitalization at a much larger figure, dependent on the value you place on the ore in the ground. After all, it is the greatest asset of all; works can be duplicated, but this ore can not.

NO ECONOMY IN DEPRECIATION OF PLANTS THROUGH COMBINATION.

Q. (By Mr. Farquhar.) Among the economies you spoke of under the present organization would you count the depreciation of the plants to be less than it would have been with the other constituent companies?—A. No; I do not think it would vary. Depreciation means the actual wear of the plant, and I do not think that will be changed.

Q. There is no particular economy on that account?—A. No; there is a great economy in this direction. You can get a greater output and a cheaper output from a mill by running that mill continuously on one product. We can do that in many instances. If we have two mills, each of which is best run on a specific product, one can be run on one product and the other on the other product, and thus get out a greater tonnage and do it at much less cost.

EMPLOYEES AND OTHER SMALL HOLDERS OF STOCK.

Q. (By Mr. A. L. Harris.) With the present large capitalization of the United States Steel Corporation, is there an inducement for the employees of the United States Steel Corporation to take the stock of that company in payment?—A. We have hoped so. We have hoped that would be the case. Some of our people have felt very favorable toward interesting our employees in that manner.

Q. (By Mr. Phillips.) With these small holdings of stock is there not danger of inducing persons to go on the stock market and gamble in stock?—A. That is a question of the man.

Q. Would there not be that danger by distributing it widely among the public?—A. That is a question of the man.

ISSUE AND EXCHANGE OF STOCK BY STEEL CORPORATION.

Q. (By Mr. A. L. Harris.) According to a statement published in the newspapers, the amount of stock of the United States Steel Corporation given to the seven constituent companies in exchange for their original stock was less than $550,000,000?—A. Yes.

Q. There was $850,000,000 of stock authorized. I do not know whether it was all issued or not. That seems to leave a difference of about $300,000,000 between the cost of the seven constituent companies and the amount of the stock of the United States corporation.—A. I do not know how you figure that. I have not seen similar figures. How are you treating the Carnegie stock?

Q. That is not in the calculation. I left that out as having been taken over on the $304,000,000 of bonds. That is one thing I would like to have explained.—A. I do not think that is a thing that would give this commission any special information or light. It is a private business transaction that I think would throw no light on this.

Q. There seems to be $300,000,000 difference.—A. No, there is not. I can assure you that is not correct, and I can assure you the Carnegie concern was not paid alone in bonds.

Q. The bonds, I understand, were $304,000,000 designed to take over the 160 millions of debt represented by bonds of the Carnegie Company and 60 per cent of the stock of the Carnegie Company?—A. Yes. How was the other 40 per cent of the stock paid for?

Q. Well, we suppose that is still held by the original owners of the Carnegie Company.—A. Yes. Well, I would gladly give you this if I thought it would lead to any practical result, but it was a private business transaction, and I do not think it will enlighten you in your report.

Q. It was not to my enlightenment, except to remove the present feeling.—A. You will see published in the papers a statement—a correct statement—of how the stocks were exchanged, which will give you a better idea of any total of capitalization than you have prepared there.

Q. These figures were taken from the best authorities, of course, not the newspapers?—A. I mean you will see an authorized statement published in the newspapers and advertisements at the time the stock was taken over that is correct, and if I can send you a copy of the syndicate agreement—I think I can understand what you are driving at. You would like to know what the promoters of this company got for doing it.

Q. (By Mr. Litchman.) There is a feeling of unrest among people at this tremendous aggregation of capital under one corporation, and I would suggest, if you will pardon the suggestion, that the managers of this corporation could remove a great deal of that onerous feeling by perfect frankness and a fair statement of the basis of estimating the value on which this corporation was formed, and if you could submit for this commission and for its report to Congress a statement that will justify what seems to be such an enormous capitalization, it will go a far way toward removing this feeling of unrest.—A. I will see if I can furnish such a statement. I would not do it here; I could not do it, because each individual case would have to be treated

separately and under different conditions, as you could see by the published statement.

Q. (By Mr. PHILLIPS.) Will you do so when you revise your testimony?—A. I will see if I can do that.

THE QUESTION WHETHER THE CARNEGIE COMPANY FORCED THE CONSOLIDATION.

Q. (By Mr. FARQUHAR.) I do not know whether we ought to state it or not, but I think it is safe, as you have been so free in answering here. The statement has been made that all the constituent companies had to come in and take the Carnegie company in to save themselves. That is popular opinion; it is editorial opinion, and it is magazine opinion.—A. I am very much flattered at that opinion.

Q. For their own safety they had to take the Carnegie company in at the latter's own figures?—A. I never had any idea we were so well regarded.

Q. (By Mr. KENNEDY.) I think the witness was starting to tell us what the promoters received when he was interrupted.—A. No; I wasn't. I beg your pardon.

FEMALE LABOR IN THE STEEL INDUSTRY.

Q. (By Mr. FARQUHAR.) Do you employ women, and how many, in any of your works; for example, packing tin plate?—A. We do; yes—in the nail factories, and we do in some of the tin-plate companies; some of the lighter work of that description. Personally I have never favored it. We never had any in the Carnegie company; I can't say what we will do in the future. We have not come to the consideration of that point.

MODE OF SELLING GOODS—EQUALIZATION OF FREIGHT.

Q. (By Mr. RIPLEY.) Are you familiar with the system of selling goods delivered by the constituent companies?—A. Yes.

Q. Will you explain, as far as necessary, what that system is in principle?—A. It is simply the fixing of the price that you expect to receive for your goods at the central point plus tariff rates of freight.

Q. Are not the goods as sold and delivered all based on the rate from Pittsburg?—A. If Pittsburg is the central point, yes. We have to sell at one central point at which deliveries can be collected, and I think Pittsburg in most instances has been the central point.

Q. Would that be the system when you take in a number of factories or mills not located at Pittsburg?—A. Yes. I don't see any other plan of doing it; you must establish some central point.

Q. Is this, then, like the system which was employed among other concerns, what you call equalizing freights? That is to say, all parties producing for the market agree to deliver as if goods had been shipped from a single point?—A. I think where such sales are made in that way that is substantially correct.

Q. Do you see any possibility of developing this policy still further by reason of controlling as you do works in widely separated parts of the country?—A. Well, I am thinking of how that would be; I could not answer that definitely, and therefore I would prefer not to give you an answer that I do not know; but it would seem to me upon first thought that there is not much likelihood of any further extension in that direction. I do not see where it could occur at this moment.

Q. Do all of the constituent companies publish freight tariffs to practically every station in the United States similar to this one, which is the through rate tariff on pipe, Pittsburg, 1900?—A. I could not say that; I think most of them do.

Q. Would you furnish to the commission, if possible, copies of this?—A. That is, the tube?

Q. National tube.—A. I think that most of the other companies deal in round figures. They do not have any such extended or detailed statement of deliveries as that.

BASING THE SALE OF GOODS ON PITTSBURG FREIGHT RATES.

Q. Complaint has been made by customers of the constituent companies that in some cases they are charged for freights as if from Pittsburg, when the actual freight is very much less. That is to say, the point of purchase happens to be nearer the mill than Pittsburg, and yet they are compelled at times to pay a very considerable additional percentage?—A. That is probably correct. If you will point out a method of avoiding that we will be very glad.

Q. What is the particular advantage that has led you to the adoption of this system of equalizing freights all over the country as if the goods were sold at Pitts-

burg?—A. That has not been really the case. You take the one in which you have a detailed statement of all these things. Practically all goods sold by that company go from Pittsburg, and it was perfectly fair, therefore, to all customers to say what the rates of freight would be from specific points. Now, if you take the goods sold by two or more constituent companies, then no such list has been prepared. Now you take the case of rails. Here is the Federal Steel Company in Chicago, and the Carnegie Steel in Pittsburg; they have charged the same price to St. Louis for rails; they might and they probably will, but that has not existed up to to-day, unless it has been by agreement between the officers to sell at the same price.

Q. The methods in any case compel competitors, as for instance Birmingham, Ala., to also base their sales on Pittsburg rates?—A. Exactly; I think they do.

Q. The statement was made to the commission by a dealer in Birmingham that the rate from Birmingham to Savannah being 14 cents, goods were sold in Savannah on the basis of Pittsburg rate of 22 cents.—A. That was their advantage; they got a higher price; they reaped an advantage from their location—a natural thing for them to do.

Q. Might that not in places work to disadvantage in an equal degree?—A. To our firm?

Q. To your firm or competitors?—A. Undoubtedly; no, it would not to competitors; any manufacturing firm has the rights of all advantages of location.

LOCATION OF PLANTS AS A FACTOR IN THE SALE OF THE PRODUCT.

Q. The statement has been made that your competitors in the southern part of this country are not able at the present time to sell their product in the eastern part of the United States. Does that describe the situation?—A. Well, to be specific, for example, you mean the Tennessee Coal and Iron Company can not sell products in New York?

Q. Yes.—A. Well, there is a very good reason for that; they don't manufacture cheaply enough, I presume.

Q. I want to ask you if the matter of freight rates enters in any way?—A. Undoubtedly; the freight from Birmingham to New York is, of course, the reason they can't sell products in New York.

Q. But they can sell in equal distances in the West, as they inform us?—A. They probably have lower freight rates to the West than to the East; that I don't know.

ABSENCE OF FREIGHT DISCRIMINATIONS AT THE PRESENT TIME.

Q. Are all of your competitors, so far as you know, on an equal footing in the matter of railroad rates?—A. So far as we know they are.

Q. You have no contracts with the railroads?—A. No.

Q. I refer now to the Carnegie company or the constituent companies.—A. No contracts.

Q. And you pay the same rates which all competitors pay?—A. Yes. That has been a very fortunate condition of railroad affairs recently.

PROJECT OF A RAILROAD TO THE ATLANTIC SEABOARD.

Q. Was it not true, however, that Mr. Carnegie's proposed project of a railroad to the Atlantic seaboard was in order to cause a reduction of the freight rates on the main trunk line?—A. No. If we projected a road there I think it was to carry goods at profit, because we felt that the present rates were profitable; we were in railroads just as in a good many other industries.

Q. The projection of that road, however, might lead the trunk lines to give you favorable rates, might it not?—A. You mean to give us rates if we had not built the road?

Q. To give you rates if you would not build the road, yes.—A. Well, it might have.

Q. And yet you say these rates given to you are precisely the same offered to all competitors?—A. Yes.

Q. Such action would seem to result in a reduction of freight rates for all producers of the country?—A. Certainly.

UNITED STATES STEEL CORPORATION'S CONTROL OF ORE.

Q. (By Mr. LITCHMAN.) I understood you to say that the United States Steel Corporation controls about 80 per cent of the ore of the United States?—A. Well, I would modify that some if I said United States; I think I made a mistake; I would say it controls about 80 per cent of the ores in the northwest, which are those most largely

used; in fact, nearly altogether used for steel products in the United States. Of course I don't know the quantity of ore in the Cornwall district, in eastern Pennsylvania, nor do I know the quantity of ores up the Hudson River, Port Henry—places like that. When I said 80 per cent of the ores of the United States I was wrong; I mean 80 per cent of the Lake Superior ores.

Q. What per cent of the ore does Birmingham produce?—A. I do not know that.

Q. If the United States Steel Corporation owns 80 per cent, what is going to be the opportunity of any competing companies to get the raw material with which to compete in the market?—A. Most of them have it; that is where the balance is made up. Besides, we are sellers of ore.

Q. If in the near future there should be still further consolidation, taking in the other 20 per cent of the ore, there would not be any chance for them to obtain it.—A. No; that remains—20 or 30 per cent—remains in the hands of a great number of people.

Q. (By Mr. PHILLIPS.) Mr. Peter Kimberly owns considerable?—A. Yes; he did.

Q. Is he negotiating?—A. I don't know.

Q. (By Mr. A. L. HARRIS). Will the United States Steel Corporation sell ore?—A. Yes; we are sellers of ore—sell ore at the market price to competitors.

Q. And buy if you need it?—A. We would buy if we needed it; we do not need it; and I could state this, that the United States Steel Company has contracts for ores many years ahead with its competitors, all of which it has assumed.

SALE OF PARTLY FINISHED PRODUCTS TO COMPETITORS.

Q. Do you sell finished products in the various stages to independent companies?—A. Oh, certainly.

Q. I do not mean, of course, the entire finished product.—A. Such as they may require; such as we can furnish.

Q. (By Mr. FARQUHAR.) Would you help out competitors in completing a contract, in furnishing half or a quarter of the contract, if they were not able to do it?—A. Undoubtedly we would, but I do not say we would at the price at which they took it. There are no secrets about this.

CONTROL OF TRANSPORTATION BY THE STEEL CORPORATION.

Q. (By Mr. C. J. HARRIS.) In transportation of your raw materials, do you own your roads and steamboats?—A. We own all of our steamboats—not quite all—and we own all our railroads; the constituent companies own their railroads from the mines to the lakes, and own one railroad from the lakes to the manufactories.

Q. You practically control the transportation of your raw materials, then?—A. On the lakes; yes.

Q. (By Mr. A. L. HARRIS.) How many miles of railroad does the United States Steel Corporation own?—A. None.

Q. Well, control, then?—A. Doesn't control any; but the constituent companies of the United States Steel Corporation control—I could not give it to you in miles.

Q. Well, in round numbers? I have seen it stated 1,000 miles.—A. That is about right.

Q. I have seen it also stated that they control or own 150 boats.—A. One hundred and twelve.

SALE OF ORE BY MINES OUTSIDE OF THE CORPORATION.

Q. (By Mr. STIMSON.) I want to ask about the mines that are outside of the combination—Lake Superior mines. Where do they sell their ore?—A. Well, there are a great many furnaces which buy their ores all over the country; take all the Valley furnaces; take the production of all the foundry pig iron—all special grades of pig iron, which forms a very large part of the tonnage, and which is not used for steel; you see that not nearly all of the pig iron is used for steel, and these furnaces are nearly all doing special work.

Q. One of their mines used to sell, for instance, to the Illinois Steel Company. Suppose the Illinois Steel Company does not buy now, under the new combination; where is that mine to sell its Lake Superior ore?—A. Well, I do not know that that condition existed, because the Federal Steel Company were always sellers of ore. If you can, give me some other illustration.

Q. Now, there always has been an allotment of all Superior mines, under which each one was allowed to mine a certain quantity?—A. There was a division of the business up there, but within my recollection these mines, as a rule, have never mined as much as has been allotted to them.

Q. I know of some mines that have been able to mine more.—A. That may have been; inasmuch as these mines were largely owned by interests that were working in harmony, it was to their advantage all around.

Q. What I mean is this, that the effect of the combination, among other things, is to put the decision of the purchase of ore practically into the hands of one man—one man in Chicago. Now, suppose that man, for any reason he may have, would prefer different ore—suppose he decides not to take the ore which for many years had been taken from one of the Lake Superior mines—it has no market for its ores, has it?—A. That is a condition which has always existed and which will not be changed by this consolidation.

Q. Well, when you had 20 or 30 concerns and 20 or 30 different managers, there was a chance that you would find some one man who would like your brand of ores?—A. In other words, you would find a man who did not know as much about his business as he ought to know, and in that way you might be able to sell him ore. That is a business condition that we ought not to try to guard against.

Q. Is the matter so certain that there is no possible room for difference of opinion—is it like mathematics, that one ore is better than others?—A. There is nothing as accurate as mathematics, but it is the nearest approach to it.

THE VALUE OF ORE IN THE GROUND AS AN ELEMENT OF CAPITALIZATION.

Q. Then I want to ask a question about capitalization as based upon ore values. You said, if I remember right, that the United States Steel Corporation has 500,000,000 tons of ore in sight in the northwest?—A. Yes.

Q. It is fair to suppose that that 500,000,000 tons of ore might fairly go in at some considerable price per ton in the capitalization of the combination. Of course ore may, let us say, be worth $4 a ton, and of course at that rate it would be worth $2,000,000,000, obviously; but I suppose you ought to take, ought you not, the net profit that can be made in mining that ore in basing its value for capital stock?—A. Yes.

Q. Now, for a good many years don't you suppose a fair estimate on profit of ore from Lake Superior mines would be 25 cents a ton?—A. I should not like to sell ore at 25 cents profit.

Q. How much higher?—A. I should say one ought to have a profit of $2 to $2.50 a ton for every ton of ore in the Lake Superior region.

Q. (By Mr. Phillips.) Who should receive the benefit of that?—A. The owners of the ore.

Q. (By Mr. Stimson.) There are a great many mines which have been running successfully for many years at much less profit?—A. Yes.

Q. As small as 25 cents?—A. Yes; and sometimes at a loss.

Q. Just for the sake of argument, if you took a fair valuation of a half a dollar a ton, that would reduce the capitalization to $250,000,000; that is, for ore alone, taking your own figures; and at 25 cents a ton it would be $125,000,000?—A. Why, people who lease fees, people who take no risk whatever, often charge 50 cents a ton for it; so you could not reckon at only 25 cents profit.

Q. Are you willing to make a guess on the average rate of profit on mining land?—A. No; because no one can do it—you can put the ore in at what you like.

Q. Then another question on a similar line, coming to capitalized ore as the basis——A (interrupting). You are assuming a wrong premise. I did not make that assertion.

Q. I understood you to say stock payments?—A. I made the statement that I did not consider any of these capitalizations excessive, because I regard the ores in the ground alone as worth very much more than anybody put them at. I did not say that stock payments were made on the basis of the ores in the ground. I only offered that as a reason why I think capitalization——

Q. (Interrupting.) One of the elements of value?—A. One of the elements of value; yes.

Q. Now, has the custom been in small private mines ordinarily to carry the mines at a very large sum?—A. I do not understand that.

Q. In the old balance sheets of the small mines, was it the custom to carry the value of the mine itself at a very large sum? Take a mine, for instance, which had a par value of stock of $1,000,000; they may have $250,000; they may have $400,000 of ore on the lakes and the same amount of ore on the dump. Now, as a rule, do you think they adopt the custom of putting in the mine itself at a large sum?—A. I think not; I think it would be very poor business. If you owned a piece of real estate on Fifth avenue, New York, that had increased 40 times in value during the 20 years, is it not likely that you would start the books at the time you bought it at

about what you paid for it, and at about what you considered its value? All these things have increased very much; same with mines—natural increase.

Q. Those smaller mines are still existing, organization still existing. Now, what I want to know is whether on this basis a mine which now is capitalized at, say, $1,000,000, and which, perhaps, has three-fourths of that value in ore on the dumps or at lake ports, if they have been producing 100,000 tons a year, and have been making $50,000 a year; if they put in the mine itself at, say, 20 years, that would be $20,000,000 additional to the balance sheet for the mine, would it not? What I am trying to get at is to see——A. (Interrupting.) Let me understand this. First, worth $1,000,000, and we would now reckon the increase as $50,000—that is what you are making. I think that is quite true, just for the same reason that up until 3 years ago the capital stock of the Carnegie Steel Company was about $500,000; now it is just the same natural increase in value. Their capitalization depends altogether on the way you keep your books. If you add everything you carry it to a large figure. If you charge off everything, improvement and supplies, it will show a very low figure. That is merely relative, depends entirely on the way you keep your books. It has nothing to do with the actual value of the mine.

Q. As a matter of fact, the usage has been among mines, has it not—that is what I draw as a conclusion from it all—the usage has not in fact been to put a mine at a very large relative sum on the books of the company?—A. Well, I think most of those mines are carried as partnerships; they are put in as assets on the books at a low value.

Q. Take the corporations.—A. I think most are owned by individuals or partners; most of them were leased.

Q. Yes; but take the corporation; have they, as a rule, put in the mine at a very large relative proportion?—A. No; I think not.

CONTROL WHICH THE UNITED STATES STEEL CORPORATION HAS OVER LABOR.

Q. I understand, of course, you can not go into the future of the relations of the steel combination with labor, but I should like to know whether the result of the combination of all the furnaces is not to make it possible, if the United States Steel Corporation so wishes, to suppress any labor dispute at any one furnace or mill very much more easily than it could have been done before. Is it not possible, in other words, since they control the bulk of the output, if they so desire—not saying that they will so desire or that it would be policy—but suppose in one of its 500 plants a labor dispute were to arise about the employment of non-union labor (which, as you said, is one of the usual ones), will it not be possible for them merely to close that plant so that the workmen there will not only be thrown out of employment, but will naturally not get it in the other 499 plants which are full already?—A. Now, that is a question pretty difficult to answer. It would depend altogether on conditions—local conditions in some instances and general conditions in the others. I do not think the thing is entirely practicable from your point of view, because it is a matter of risk at the time. A good many questions enter into it, and it could not be answered as a broad question.

Q. But does not the corporation add very much to the power of an employer as a whole as against any particular class of employees?—A. I think it does.

EARNING POWER AS A BASIS OF CAPITALIZATION.

Q. (By Mr. LITCHMAN.) Is it not a fair basis of capitalization to consider the earning power of the corporation?—A. It has often been the case; many people so regard it.

Q. (By Mr. CLARKE.) Has there been a very large increase in the demand for steel for structural purposes within the last five or ten years?—A. A very large increase; a larger increase in that than any other branch of the business.

Q. Is that demand still growing?—A. Yes; still growing.

Q. Does that fact of itself add very much to the value of the business controlled by the constituent companies of the United States Steel Corporation?—A. You mean the probable increase in the consumption of steel?

Q. Yes.—A. Undoubtedly.

Q. The good will of those companies, then, has enormously increased within recent years?—A. Very much, undoubtedly.

NO BOARD OF ARBITRATION CONTEMPLATED FOR SETTLING LABOR TROUBLES.

Q. (By Mr. KENNEDY.) There was published in a New York paper recently a statement to the effect that the United States Steel Corporation was contemplating establishing a board of conciliation and arbitration to settle disputes that might arise

between their employees and the company. I would like to ask you if there is any such policy as that contemplated?—A. Never heard of it before.

POOLS IN STEEL AND OTHER INDUSTRIES.

Q. (By Mr. Jenks.) You spoke in reply to one of the earlier questions to the effect that there were sometimes apparently agreements between the officers of the different competing companies, so that they sold at the same rates, Pittsburg and Chicago to certain places. Will you speak briefly with reference to previous pools as they existed before the organization of this company?—A. The steel-rail pools, as so called, were simply agreements between the managers at the various works to sell steel rails at the same price at the same point.

Q. For manufacturers before the organization of the United States Steel Corporation, were similar arrangements existing?—A. Yes; in all lines of business, not only in steel, but everything else. There were similar agreements, known as joint agreements, to maintain prices. They have existed in all lines of business as long as I can remember.

Q. Without any distribution of profits?—A. There were sometimes questions as to distribution of territory.

PUBLICITY OF ACCOUNTS IN A LARGE CORPORATION.

Q. What is your opinion with reference to the degree of publicity that should be given to the accounts, we will say, of the United States Steel Corporation, or of a large public corporation of that kind, whose stock is on the market?—A. I am not prepared to state that, excepting personally, and that would be of no value. I could not give you the policy of the United States Steel Corporation in this respect.

Q. I ask for your personal opinion, whether you think it is desirable to make accounts public?—A. I do not think it is; we never did in our company—did not think it was wise to do so.

Q. Do you think it makes any difference whether the company is held within comparatively few hands, as was the Carnegie Company, or whether it is upon the stock market?—A. I think it makes a very great difference. I think there are certain statements that every stockholder is entitled to, and I believe any such statement of earnings that ought to be given him should be given him.

Q. And in case of a large corporation that would amount to publishing?—A. Yes; but I do not believe in publishing details.

Q. You simply believe in an annual statement, complete enough so that stockholders would be sufficiently informed?—A. They have usually been published.

CONSOLIDATIONS ADVANTAGEOUS TO INVESTORS AND WORKINGMEN.

Q. (By Mr. Phillips.) Perhaps the witness may give us some information in addition to that brought out by questions.—A. I can only state in general terms after a good many years of experience, my own opinion is—it is a prejudiced opinion, perhaps, because I am so largely interested, but still it is an opinion—that the result of these great consolidations of capital will be of mutual advantage to the investor and the employee. The history has been that workingmen will receive the greatest benefits as long as capital is earning a fair return. There is no inducement upon the part of capitalists to cut labor down. As an employer of labor for many years there is nothing I like so well—since then business gives us little trouble, all goes on smoothly, and it is a real pleasure—as to pay employees good wages; and I think that the result of these great consolidations of capital will be to maintain labor, as well as to bring about the sale of its finished products at reasonable prices, and prices that will permit of the extension and use of steel, and they will promote the payment of good wages to the workmen, and I see nothing but good results to come from this.

Q. (By Mr. Litchman.) There is one question that has been handed in by a lady: What is the highest paid woman employee in your constituent companies, and also the lowest?—A. I could not tell you; I do not know that.

(Testimony closed.)

EXHIBIT 1.—*Prospectus of United States Steel Corporation.*

OFFICE OF J. P. MORGAN & CO.,
23 Wall street, New York, March 2, 1901.

To the stockholders of Federal Steel Company, National Steel Company, National Tube Company, American Steel and Wire Company of New Jersey, American Tin Plate Company, American Steel Hoop Company, American Sheet Steel Company.

The United States Steel Corporation has been organized under the laws of the State of New Jersey, with power, among other things, to acquire the outstanding preferred stocks and common stocks of the companies above named and the outstanding bonds and stock of the Carnegie Company.

A syndicate, comprising leading financial interests throughout the United States and Europe, of which the undersigned are managers, has been formed by subscribers to the amount of $200,000,000 (including among such subscribers the undersigned and many large stockholders of the several companies), to carry out the arrangement hereinafter stated, and to provide the sum in cash and the financial support required for that purpose. Such syndicate, through the undersigned, has made a contract with the United States Steel Corporation under which the latter is to issue and deliver its preferred stock, and its common stock, and its 5 per cent gold bonds in consideration for stocks of the above-named companies and bonds and stock of the Carnegie Company and the sum of $25,000,000 in cash.

The syndicate has already arranged for the acquisition of substantially all the bonds and stock of the Carnegie Company, including Mr. Carnegie's holdings. The bonds of the United States Steel Corporation are to be used only to acquire bonds and 60 per cent of the stock of the Carnegie Company.

The undersigned, in behalf of the syndicate, and on the terms and conditions hereinafter stated, offer, in exchange for the preferred stocks and common stocks of the companies above named, respectively, certificates for preferred stock and common stock of the United States Steel Corporation upon the basis stated in the following table, viz:

For each $100 par value of stock of the class mentioned below, the amount set opposite thereto in preferred stock or common stock of United States Steel Corporation at par:

Name of company and class of stock.	Amount of new stock to be delivered in par value.	
	Preferred stock.	Common stock.
Federal Steel Company:		
Preferred stock	$110.00	....
Common stock	4.00	$107.50
American Steel and Wire Company of New Jersey:		
Preferred stock	117.50	....
Common stock	....	102.50
National Tube Company:		
Preferred stock	125.00	....
Common stock	8.80	125.00
National Steel Company:		
Preferred stock	125.00	....
Common stock	....	125.00
American Tin Plate Company:		
Preferred stock	125.00	....
Common stock	20.00	125.00
American Steel Hoop Company:		
Preferred stock	100.00	....
Common stock	....	100.00
American Sheet Steel Company:		
Preferred stock	100.00	....
Common stock	....	100.00

With reference to the last four companies, the aggregate amount of stocks so to be offered was arranged with the principal stockholders of those companies, who have requested the distribution of such amount among the four companies, to be made in the percentages above stated.

Proper adjustment will be made in respect of dividends upon all the deposited preferred stocks, so that the registered holders of receipts for such preferred stocks will receive the equivalent of dividends thereon, at the rates therein provided, from the last dividend period up to April 1, 1901, from which date dividends on the preferred

stock of the United States Steel Corporation are to begin to accrue. Deposited common stocks must carry all dividends or rights to dividends declared or payable on or after March 1, 1901, and no adjustment or allowance will be made in respect thereof.

For the purpose of avoiding the necessity of interruption in the declaration and payment of dividends, when earned upon the common stock, concurrently with the payment of dividends upon the preferred stock, there has been inserted in the charter of the United States Steel Corporation a provision to the effect that whenever all quarterly dividends accrued upon the preferred stock for previous quarters shall have been paid, the board of directors may declare dividends on the common stock out of any remaining surplus or net profits.

Statements furnished to us by officers of the several companies above named and of the Carnegie Company show that the aggregate of the net earnings of all the companies for the calendar year 1900 was amply sufficient to pay dividends on both classes of the new stocks, besides making provisions for sinking funds and maintenance of properties. It is expected that by the consummation of the proposed arrangement the necessity of large deductions heretofore made on account of expenditures for improvements will be avoided, the amount of earnings applicable to dividends will be substantially increased, and greater stability of investment will be assured, without necessarily increasing the prices of manufactured products.

The certificates for stocks of the companies above named must be deposited, as stated below, in exchange for transferable receipts issued by the respective depositaries, for which application will be made for listing on the New York Stock Exchange. The deposited certificates must be accompanied by suitable assignments and powers of attorney in blank, duly executed, and having attached thereto the proper war revenue stamps, and also, if required, suitable assignments or transfers of all dividends or rights to dividends upon deposited common stocks declared or payable on or after March 1, 1901. Every deposit shall be upon the following further terms and conditions:

1. The undersigned, acting in behalf of the syndicate, shall have full control over the deposited certificates, including power to deliver the same under said contract to the United States Steel Corporation, in consideration of the issue of preferred stock and common stock of said corporation.

2. The certificates for shares of the United States Steel Corporation, deliverable to depositors, shall be delivered at an office or at offices in the city of New York to be designated by the undersigned by advertisement in at least two newspapers in the city of New York. Such certificates may be issued in the names of the respective holders of the receipts entitled thereto, or may be issued in such other names as the undersigned may select, in which event they shall be indorsed for transfer in blank at the time of delivery. The undersigned, at their option, may deliver temporary certificates for such shares pending the preparation and delivery of engraved certificates.

3. At any time prior to the deposit hereunder of two-thirds in amount of all outstanding shares of the capital stock of any one or more of the above-named companies (which two-thirds in each instance shall include two-thirds of the outstanding preferred stock of such company), the undersigned, in their discretion, may withdraw the offer herein made to depositors of shares of any such company of whose capital stock two-thirds shall not have been deposited, and in such case no act or notice of withdrawal shall be required other than advertisement thereof at least once in each of two daily newspapers in the city of New York. Upon any such withdrawal, the deposited shares of such company shall be returned, without charge, upon surrender of the respective receipts issued therefor. The undersigned, in their discretion, may consummate the proposed transaction as to the stocks of any companies herein named, irrespective of the deposit of the stocks of any other company or of any withdrawal as to any other company.

4. The undersigned are authorized to proceed with the proposed transaction whenever, in their sole judgment, a sufficient amount of the stocks of said companies, or of any of them, shall have been deposited. They reserve the right, at any time in their discretion, to wholly abandon the transaction and to withdraw their offer herein contained, as to all the depositors, by publication of notice of such withdrawal in two daily newspapers in the city of New York; and in that event all the deposited shares shall be returned without charge upon surrender of the respective receipts therefor. In case of any such withdrawal of the offer hereunder as to all or to any depositors, such depositors shall have no claim against the undersigned, and shall only be entitled to receive their deposited securities upon surrender of the respective receipts therefor.

5. The authorized issue of capital stock of the United States Steel Corporation presently provided for in said contract is $850,000,000, of which one-half is to be 7 per cent cumulative preferred stock and one-half is to be common stock. The company will also issue its 5 per cent gold bonds to an aggregate amount not exceeding

$304,000,000. In case less than all of the bonds and stock of the Carnegie Company or less than all of the stocks of the other companies above referred to shall be acquired, the amounts of bonds and stocks to be issued will be reduced as provided in said contract.

The forms of the new bonds and of the indenture securing the same, and of the certificates for the new preferred and common shares, and the entire plan of organization and management of the United States Steel Corporation, shall be determined by J. P. Morgan & Co. Every depositor shall accept in full payment and exchange for his deposited stock the shares of the capital stock of the United States Steel Corporation, to be delivered at the rates above specified, in respect of the stock by him so deposited; and no depositor or holder of any receipt issued hereunder shall have any interest in the disposition of any other of the shares of stock, or of the bonds of the United States Steel Corporation, by it to be issued and delivered to or for account of the syndicate or of any proceeds thereof. All shares of the United States Steel Corporation deliverable to or for account of the syndicate, which shall not be required for the acquisition of the stock of the Carnegie Company or for delivery to depositors under the terms of this circular, are to be retained by and to belong to the syndicate.

6. The respective depositaries may make all such rules as shall be approved by the undersigned governing the transfer and registration of receipts for deposited shares and for the closing of the transfer books for such receipts for any purpose. The undersigned shall not be responsible for any default of any depositary.

7. Each deposit hereunder shall be irrevocable, and shall operate as a separate and independent agreement, and as a transfer of the interest of the depositors to the undersigned on the terms hereof.

8. Deposits must be made with the following depositaries, respectively:

Federal Steel preferred and common stock with Colonial Trust Company, New York, or with Old Colony Trust Company, Boston.

National Tube preferred and common stock with Morton Trust Company, New York, or with Kidder, Peabody & Co., Boston.

American Steel and Wire preferred and common stock with Standard Trust Company, New York, or with Guaranty Trust Company, New York.

National Steel preferred and common stock with Central Trust Company, New York.

American Tin Plate preferred and common stock with Mercantile Trust Company, New York.

American Sheet Steel preferred and common stock with Farmers' Loan and Trust Company, New York.

American Steel Hoop preferred and common stock with New York Security and Trust Company, New York.

Deposits must be made on or before the 20th day of March, 1901. After that date no deposit will be received except in the discretion of the undersigned and on such terms as the undersigned may prescribe.

The undersigned reserve the right in their discretion to terminate the privilege of deposit hereunder at an earlier date upon two days' notice, to be given by publication at least once in two daily newspapers in New York City.

It is proper to state that J. P. Morgan & Co. are to receive no compensation for their services as syndicate managers beyond a share in any sum which ultimately may be realized by the syndicate.

J. P. MORGAN & CO.,
Syndicate Managers.

EXHIBIT 2.—*Amended certificate of incorporation of United States Steel Corporation.*

We, the undersigned, in order to form a corporation for the purposes hereinafter stated, under and pursuant to the provisions of the act of the legislature of the State of New Jersey, entitled "An act concerning corporations (revision of 1896)," and the acts amendatory thereof and supplemental thereto, do hereby certify as follows:

I. The name of the corporation is United States Steel Corporation.

II. The location of its principal office in the State of New Jersey is at No. 51 Newark street, in the city of Hoboken, county of Hudson. The name of the agent therein and in charge thereof, upon whom process against the corporation may be served, is Hudson Trust Company. Said office is to be the registered office of said corporation.

III. The objects for which the corporation is formed are:

To manufacture iron, steel, manganese, coke, copper, lumber, and other materials, and all or any articles consisting or partly consisting of iron, steel, copper, wood, or other materials, and all or any products thereof.

To acquire, own, lease, occupy, use, or develop any lands containing coal or iron, manganese, stone, or other ores, or oil, and any woodlands, or other lands for any purpose of the company.

To mine, or otherwise to extract or remove, coal, ores, stone, and other minerals and timber from any lands owned, acquired, leased, or occupied by the company, or from any other lands.

To buy and sell, or otherwise to deal or to traffic in, iron, steel, manganese, copper, stone, ores, coal, coke, wood, lumber, and other materials, and any of the products thereof, and any articles consisting or partly consisting thereof.

To construct bridges, buildings, machinery, ships, boats, engines, cars, and other equipment, railroads, docks, slips, elevators, waterworks, gas works, and electric works, viaducts, aqueducts, canals and other waterways, and any other means of transportation, and to sell the same, or otherwise to dispose thereof, or to maintain and operate the same, except that the company shall not maintain or operate any railroad or canal in the State of New Jersey.

To apply for, obtain, register, purchase, lease, or otherwise to acquire, and to hold, use, own, operate, and introduce, and to sell, assign, or otherwise to dispose of, any trade-marks, trade names, patents, inventions, improvements, and processes used in connection with or secured under letters patent of the United States or elsewhere, or otherwise; and to use, exercise, develop, grant licenses in respect of or otherwise to turn to account any such trade-marks, patents, licenses, processes, and the like, or any such property or rights.

To engage in any other manufacturing, mining, construction, or transportation business of any kind or character whatsoever, and to that end to acquire, hold, own, and dispose of any and all property, assets, stocks, bonds, and rights of any and every kind; but not to engage in any business hereunder which shall require the exercise of the right of eminent domain within the State of New Jersey.

To acquire by purchase, subscription, or otherwise, and to hold or to dispose of stocks, bonds, or any other obligations of any corporation formed for or then or theretofore engaged in or pursuing any one or more of the kinds of business, purposes, objects, or operations above indicated, or owning or holding any property of any kind herein mentioned; or of any corporation owning or holding the stocks or the obligations of any such corporation.

To hold for investment or otherwise to use, sell, or dispose of any stock, bonds, or other obligations of any such other corporation; to aid in any manner any corporation whose stock, bonds, or other obligations are held or are in any manner guaranteed by the company, and to do any other acts or things for the preservation, protection, improvement, or enhancement of the value of any such stock, bonds, or other obligations, or to do any acts or things designed for any such purpose; and, while owner of any such stock, bonds, or other obligations, to exercise all the rights, powers, and privileges of ownership thereof, and to exercise any and all voting power thereon.

The business or purpose of the company is from time to time to do any one or more of the acts and things herein set forth; and it may conduct its business in other States and in the Territories and in foreign countries, and may have 1 office or more than 1 office, and keep the books of the company outside of the State of New Jersey, except as otherwise may be provided by law; and may hold, purchase, mortgage, and convey real and personal property either in or out of the State of New Jersey.

Without in any particular limiting any of the objects and powers of the corporation, it is hereby expressly declared and provided that the corporation shall have power to issue bonds and other obligations in payment for property purchased or acquired by it, or for any other object in or about its business; to mortgage or pledge any stocks, bonds, or other obligations, or any property which may be acquired by it, to secure any bonds or other obligations by it issued or incurred; to guarantee any dividends or bonds or contracts or other obligations; to make and perform contracts of any kind and description; and in carrying on its business or for the purpose of attaining or furthering any of its objects to do any and all other acts and things, and to exercise any and all other powers which a copartnership or natural person could do and exercise, and which now or hereafter may be authorized by law.

IV. The total authorized capital stock of the corporation is $1,100,000,000, divided into 11,000,000 shares of the par value of $100 each. Of such total authorized capital stock, 5,500,000 shares, amounting to $550,000,000, shall be preferred stock, and 5,500,000 shares, amounting to $550,000,000, shall be common stock.

From time to time the preferred stock and the common stock may be increased according to law, and may be issued in such amounts and proportions as shall be determined by the board of directors and as may be permitted by law.

The holders of the preferred stock shall be entitled to receive when and as declared,

from the surplus or net profits of the corporation, yearly dividends at the rate of 7 per cent per annum, and no more, payable quarterly on dates to be fixed by the by-laws. The dividends on the preferred stock shall be cumulative, and shall be payable before any dividend on the common stock shall be paid or set apart: so that if in any year dividends amounting to 7 per cent shall not have been paid thereon, the deficiency shall be payable before any dividends shall be paid upon or set apart for the common stock.

Whenever all cumulative dividends on the preferred stock for all previous years shall have been declared and shall have become payable, and the accrued quarterly installments for the current year shall have been declared, and the company shall have paid such cumulative dividends for previous years and such accrued quarterly installments, or shall have set aside from its surplus or net profits a sum sufficient for the payment thereof, the board of directors may declare dividends on the common stock, payable then or thereafter, out of any remaining surplus or net profits.

In the event of any liquidation or dissolution or winding up (whether voluntary or involuntary) of the corporation, the holders of the preferred stock shall be entitled to be paid in full both the par amount of their shares and the unpaid dividends accrued thereon before any amount shall be paid to the holders of the common stock; and after the payment to the holders of the preferred stock of its par value, and the unpaid accrued dividends thereon, the remaining assets and funds shall be divided and paid to the holders of the common stock according to their respective shares.

V. The names and post-office addresses of the incorporators, and the number of shares of stock for which severally and respectively we do hereby subscribe (the aggregate of our said subscriptions, being $3,000, is the amount of capital stock with which the corporation will commence business), are as follows:

Name.	Post-office address.	Number of shares.	
		Preferred stock.	Common stock.
Charles C. Cluff	51 Newark street, Hoboken, N. J.	5	5
William J. Curtis	do	5	5
Charles MacVeagh	do	5	5

VI. The duration of the corporation shall be perpetual.

VII. The number of directors of the company shall be fixed from time to time by the by-laws; but the number, if fixed at more than 3, shall be some multiple of 3. The directors shall be classified with respect to the time for which they shall severally hold office by dividing them into 3 classes, each consisting of one-third of the whole number of the board of directors. The directors of the first class shall be elected for a term of 1 year; the directors of the second class for a term of 2 years; and the directors of the third class for a term of 3 years; and at each annual election the successors to the class of directors whose terms shall expire in that year shall be elected to hold office for the term of 3 years, so that the term of office of one class of directors shall expire in each year.

The number of the directors may be increased as may be provided in the by-laws. In case of any increase of the number of the directors, the additional directors shall be elected, as may be provided in the by-laws, by the directors or by the stockholders at an annual or special meeting; and one-third of their number shall be elected for the then unexpired portion of the term of the directors of the first class, one-third of their number for the unexpired portion of the term of the directors of the second class, and one-third of their number for the unexpired portion of the term of the directors of the third class, so that each class of directors shall be increased equally.

In case of any vacancy in any class of directors through death, resignation, disqualification, or other cause, the remaining directors, by affirmative vote of a majority of the board of directors, may elect a successor to hold office for the unexpired portion of the term of the director whose place shall be vacant, and until the election of a successor.

The board of directors shall have power to hold their meetings outside of the State of New Jersey at such places as from time to time may be designated by the by-laws or by resolution of the board. The by-laws may prescribe the number of directors necessary to constitute a quorum of the board of directors, which number may be less than a majority of the whole number of the directors.

Unless authorized by votes given in person or by proxy by stockholders holding at least two-thirds of the capital stock of the corporation, which is represented and

voted upon in person or by proxy at a meeting specially called for that purpose or at an annual meeting, the board of directors shall not mortgage or pledge any of its real property or any shares of the capital stock of any other corporation; but this prohibition shall not be construed to apply to the execution of any purchase-money mortgage or any other purchase-money lien. As authorized by the act of the legislature of the State of New Jersey, passed March 22, 1901, amending the seventeenth section of the act concerning corporations (revision of 1896), any action which theretofore required the consent of the holders of two-thirds of the stock at any meeting after notice to them given, or required their consent in writing to be filed, may be taken upon the consent of and the consent given and filed by the holders of two-thirds of the stock of each class represented at such meeting in person or by proxy.

Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the whole board of directors. Any other officer or employee of the company may be removed at any time by vote of the board of directors, or by any committee or superior officer upon whom such power of removal may be conferred by the by-laws, or by vote of the board of directors.

The board of directors, by the affirmative vote of a majority of the whole board, may appoint from the directors an executive committee, of which a majority shall constitute a quorum; and to such extent as shall be provided in the by-laws, such committee shall have and may exercise all or any of the powers of the board of directors, including power to cause the seal of the corporation to be affixed to all papers that may require it.

The board of directors, by the affirmative vote of a majority of the whole board, may appoint any other standing committees, and such standing committees shall have and may exercise such powers as shall be conferred or authorized by the by-laws.

The board of directors may appoint not only other officers of the company, but also one or more vice-presidents, one or more assistant treasurers, and one or more assistant secretaries; and to the extent provided in the by-laws, the persons so appointed respectively shall have and may exercise all the powers of the president, of the treasurer, and of the secretary, respectively.

The board of directors shall have power from time to time to fix and to determine and to vary the amount of the working capital of the company, and to direct and determine the use and disposition of any surplus or net profits over and above the capital stock paid in; and in its discretion the board of directors may use and apply any such surplus or accumulated profits in purchasing or acquiring its bonds or other obligations, or shares of its own capital stock, to such extent and in such manner and upon such terms as the board of directors shall deem expedient; but shares of such capital stock so purchased or acquired may be resold, unless such shares shall have been retired for the purpose of decreasing the company's capital stock, as provided by law.

The board of directors from time to time shall determine whether and to what extent, and at what times and places and under what conditions and regulations, the accounts and books of the corporation, or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account or book or document of the corporation, except as conferred by statute or authorized by the board of directors, or by a resolution of the stockholders.

Subject always to by-laws made by the stockholders, the board of directors may make by-laws, and, from time to time, may alter, amend, or repeal any by-laws; but any by-laws made by the board of directors may be altered or repealed by the stockholders at any annual meeting, or at any special meeting, provided notice of such proposed alteration or repeal be included in the notice of the meeting.

In witness whereof we have hereunto set our hands and seals the 23d day of February, 1901.

Charles C. Cluff. [seal.]
William J. Curtis. [seal.]
Charles MacVeagh. [seal.]

Signed, sealed, and delivered in the presence of—
Francis Lynde Stetson.
Victor Morawetz.

State of New Jersey, *County of Hudson, ss:*

Be it remembered that on this 23d day of February, 1901, before the undersigned, personally appeared Charles C. Cluff, William J. Curtis, and Charles MacVeagh, who, I am satisfied, are the persons named in and who executed the foregoing cer-

tificate; and I having first made known to them and to each of them the contents thereof, they did each acknowledge that they signed, sealed, and delivered the same as their voluntary act and deed.

GEO. HOLMES,
Master in Chancery, of New Jersey.

[10-cent internal-revenue stamp canceled.]

(Indorsed:) "Received in the Hudson County, N. J., clerk's office, February 25, A. D. 1901, and recorded in clerk's record, No. ——, on page ——. Maurice J. Stack, clerk."

(Indorsed:) "Filed February 25, 1901. George Wurts, secretary of state."

EXHIBIT 3.—*By-laws of United States Steel Corporation.*

ARTICLE I.—*Stockholders.*

SECTION 1. *Annual meeting.*—A meeting of the stockholders of the company shall be held annually at the principal office of the company in the State of New Jersey, at 12 o'clock noon on the third Monday in February in each year, if not a legal holiday, and if a legal holiday then on the next succeeding Monday not a legal holiday, for the purpose of electing directors, and for the transaction of such other business as may be brought before the meeting.

It shall be the duty of the secretary to cause notice of each annual meeting to be published once in each of the four calendar weeks next preceding the meeting in at least one newspaper in each of the following places: Jersey City, N. J., New York, N. Y., Chicago, Ill., and Pittsburg, Pa. Nevertheless, a failure to publish such notice, or any irregularity in such notice, or in the publication thereof, shall not affect the validity of any annual meeting, or of any proceedings at any such meeting.

SEC. 2. *Special meetings.*—Special meetings of the stockholders may be held at the principal office of the company in the State of New Jersey whenever called in writing, or by vote, by a majority of the board of directors.

Notice of each special meeting, indicating briefly the object or objects thereof, shall by the secretary be published once in each of the four calendar weeks next preceding the meeting in at least one newspaper in each of the following places: Jersey City, N. J., New York, N. Y., Chicago, Ill., and Pittsburg, Pa. Nevertheless, if all the stockholders shall waive notice of a special meeting, no notice of such meeting shall be required; and whenever all the stockholders shall meet in person or by proxy, such meeting shall be valid for all purposes without call or notice, and at such meeting any corporate action may be taken.

SEC. 3. *Quorum.*—At any meeting of the stockholders the holders of one-third of all of the shares of the capital stock of the company, present in person or represented by proxy, shall constitute a quorum of the stockholders for all purposes, unless the representation of a larger number shall be required by law, and in that case, the representation of the number so required shall constitute a quorum.

If the holders of the amount of stock necessary to constitute a quorum shall fail to attend in person or by proxy at the time and place fixed by these by-laws for an annual meeting, or fixed by notice as above provided for a special meeting called by the directors, a majority in interest of the stockholders present in person or by proxy, may adjourn from time to time, without notice other than by announcement at the meeting, until holders of the amount of stock requisite to constitute a quorum, shall attend. At any such adjourned meeting at which a quorum shall be present any business may be transacted which might have been transacted at the meeting as originally notified.

SEC. 4. *Organization.*—The president, and in his absence the chairman of the executive committee, shall call meetings of the stockholders to order, and shall act as chairman of such meetings. The board of directors may appoint any stockholder to act as chairman of any meeting in the absence of the president and of the chairman of the executive committee.

The secretary of the company shall act as secretary at all meetings of the stockholders, but in the absence of the secretary at any meeting of the stockholders the presiding officer may appoint any person to act as secretary of the meeting.

SEC. 5. *Voting.*—At each meeting of the stockholders every stockholder shall be entitled to vote in person, or by proxy appointed by instrument in writing, subscribed by such stockholder or by his duly authorized attorney, and delivered to the inspectors at the meeting; and he shall have 1 vote for each share of stock standing regis-

tered in his name at the time of the closing of the transfer books for said meeting. The votes for directors, and, upon demand of any stockholder, the votes upon any question before the meeting, shall be by ballot.

At each meeting of the stockholders a full, true, and complete list, in alphabetical order, of all of the stockholders entitled to vote at such meeting, and indicating the number of shares held by each, certified by the secretary or by the treasurer, shall be furnished. Only the persons in whose names shares of stock stand on the books of the company at the time of the closing of the transfer books for such meeting, as evidenced by the list of stockholders so furnished, shall be entitled to vote in person or by proxy on the shares so standing in their names.

Prior to any meeting, but subsequent to the time of closing the transfer books for such meeting, any proxy may submit his powers of attorney to the secretary or to the treasurer for examination. The certificate of the secretary or of the treasurer as to the regularity of such powers of attorney and as to the number of shares held by the persons who severally and respectively executed such powers of attorney shall be received as *prima facie* evidence of the number of shares represented by the holder of such powers of attorney for the purpose of establishing the presence of a quorum at such meeting, and of organizing the same, and for all other purposes.

Sec. 6. *Inspectors.*—At each meeting of the stockholders the polls shall be opened and closed, the proxies and ballots shall be received and be taken in charge, and all questions touching the qualification of voters and the validity of proxies and the acceptance or rejection of votes shall be decided by 3 inspectors. Such inspectors shall be appointed by the board of directors before or at the meeting, or, if no such appointment shall have been made, then by the presiding officer at the meeting. If for any reason any of the inspectors previously appointed shall fail to attend or refuse or be unable to serve, inspectors in place of any so failing to attend, or refusing or unable to attend, shall be appointed in like manner.

Article II.—*Board of directors.*

Sec. 1. *Number, classification, and term of office.*—The business and the property of the company shall be managed and controlled by the board of directors.

As provided in the certificate of incorporation, the directors shall be classified in respect of the time for which they shall severally hold office by dividing them into 3 classes, each class consisting of one-third of the whole number of the board of directors. The directors of the first class shall be elected for a term of 1 year, the directors of the second class shall be elected for a term of 2 years, and the directors of the third class shall be elected for a term of 3 years. At each annual election the successors to the directors of the class whose terms shall expire in that year shall be elected to hold office for the term of 3 years, so that the term of office of one class of directors shall expire in each year.

The number of directors shall be 24, but the number of directors may be altered from time to time by the alteration of these by-laws.

In case of any increase of the number of directors, the additional directors shall be elected by the directors then in office; one-third of such additional directors for the unexpired portion of the term of 1 year; one-third for the unexpired portion of the term of 2 years, and one-third for the unexpired portion of the term of 3 years, so that each class of directors shall be increased equally.

Every director shall be a holder of at least 1 share of the capital stock of the company. Each director shall serve for the term for which he shall have been elected, and until his successor shall have been duly chosen.

At all elections of the directors the polls shall remain open for at least 1 hour, unless every registered owner of shares has sooner voted in person or by proxy, or in writing has waived the statutory provision.

Sec. 2. *Vacancies.*—In case of any vacancy in the directors of any class through death, resignation, disqualification, or other cause, the remaining directors, by affirmative vote of a majority thereof, may elect a successor to hold office for the unexpired portion of the term of the director whose place shall be vacant, and until the election of his successor.

Such vacancies shall be filled upon and after nominations therefor shall have been made by the finance committee.

Sec. 3. *Place of meeting, etc.*—The directors may hold their meetings and may have an office and keep the books of the company (except as otherwise may be provided for by law) in such place or places in the State of New Jersey or outside of the State of New Jersey as the board from time to time may determine.

Sec. 4. *Regular meetings.*—Regular meetings of the board of directors shall be held monthly, on the first Tuesday of each month, if not a legal holiday, and if a legal

holiday, then on the next succeeding Tuesday not a legal holiday. No notice shall be required for any such regular monthly meeting of the board.

SEC. 5. *Special meetings.*—Special meetings of the board of directors shall be held whenever called by the president or by one-third of the directors for the time being in office.

The secretary shall give notice of each special meeting by mailing the same at least 2 days before the meeting or by telegraphing the same at least 1 day before the meeting to each director, but such notice may be waived by any director. At any meeting at which every director shall be present, even though without any notice, any business may be transacted.

SEC. 6. *Quorum.*—A majority of the board of directors shall constitute a quorum for the transaction of business, but if at any meeting of the board there be less than a quorum present, a majority of those present may adjourn the meeting from time to time.

The affirmative vote of at least two-fifths of all the directors for the time being in office shall be necessary for the passage of any resolution.

SEC. 8. *Order of business.*—At meetings of the board of directors business shall be transacted in such order as, from time to time, the board may determine by resolution.

At all meetings of the board of directors the president, or in his absence the chairman of the executive committee, or in the absence of both of these officers the chairman of the finance committee, shall preside.

SEC. 9. *Contracts.*—Inasmuch as the directors of this company are men of large and diversified business interests and are likely to be connected with other corporations with which from time to time this company must have business dealings, no contract or other transaction between this company and any other corporation shall be affected by the fact that directors of this company are interested in or are directors or officers of such other corporation if, at the meeting of the board, or of the committee of this company making, authorizing, or confirming such contract or transaction there shall be present a quorum of directors not so interested; and any director individually may be a party to or may be interested in any contract or transaction of this company provided that such contract or transaction shall be approved or be ratified by the affirmative vote of at least 10 directors not so interested.

The board of directors, in its discretion, may submit any contract or act for approval or ratification at any annual meeting of the stockholders, or at any meeting of the stockholders called for the purpose of considering any such act or contract, and any contract or act that shall be approved or be ratified by the vote of the holders of a majority of the capital stock of the company which is represented in person or by proxy at such meeting (provided that a lawful quorum of stockholders be there represented in person or by proxy) shall be as valid and as binding upon the corporation and upon all the stockholders as though it had been approved or ratified by every stockholder of the corporation.

SEC. 10. *Compensation of directors.*—For his attendance at any meeting of the board of directors or of any committee of the board every director shall receive an allowance of 10 cents for every mile traveled by him for attendance at such meeting and also the sum of $20 for attendance at each meeting. The same mileage allowance shall be made to any officer who by direction of the board or of the president shall attend any such meeting.

ARTICLE III.—*Executive committee and finance committee.*

SEC. 1. The board of directors shall elect from the directors an executive committee and a finance committee, and shall designate for each of those committees a chairman, who shall continue to be chairman of the committee during the pleasure of the board of directors.

The board of directors shall fill vacancies in the executive committee or in the finance committee by election from the directors, and at all times it shall be the duty of the board of directors to keep the membership of each of such committees full, with due regard to the qualifications for such membership indicated in this article of the by-laws.

All action by the executive committee or by the finance committee shall be reported to the board of directors at its meeting next succeeding such action, and shall be subject to revision or alteration by the board of directors; provided that no rights or acts of third parties shall be affected by any such revision or alteration.

The executive committee and the finance committee each shall fix its own rules of proceeding, and shall meet where and as provided by such rules or by resolution of the board of directors, but in every case the presence of a majority shall be necessary to constitute a quorum.

In every case the affirmative vote of a majority of all of the members of the committee shall be necessary to its adoption of any resolution.

The chairman and each of the members of the executive committee shall receive such compensation for their services as from time to time shall be fixed by the finance committee and be approved by the board of directors.

SEC. 2. The executive committee shall consist of 6 members besides the president and the chairman of the finance committee, each of whom, by virtue of his office, shall be a member of the executive committee. So far as practicable, each of the 6 elected members of the executive committee shall be a person having, or having had, personal experience in the conduct of one or the other of the branches of manufacture or mining, or of transportation in which the company is interested, and, so far as practicable, the 6 elected members shall be taken equally from the 3 classes of directors. Unless otherwise ordered by the board of directors, each elected member of the executive committee shall continue to be a member thereof until the expiration of his term of office as a director.

During the intervals between the meetings of the board of directors the executive committee shall possess and may exercise all the powers of the board of directors in the management and direction of the manufacturing, mining, and transportation operations of the company, and of all other business and affairs (except the matters hereinafter assigned to the finance committee) in such manner as the executive committee shall deem best for the interests of the company, in all cases in which specific directions shall not have been given by the board of directors.

During the intervals between the meetings of the executive committee the chairman thereof shall possess and may execise such of the powers vested in the executive committee as from time to time may be conferred upon him by resolution of the board of directors or of the executive committee.

SEC. 3. The finance committee shall consist of 4 members besides the president and the chairman of the executive committee, each of whom, by virtue of his office, shall be a member of the finance committee. So far as practicable, each of the 4 elected members of the finance committee shall be a person of experience in matters of finance, and, so far as practicable, the 4 elected members shall be taken equally from the 3 classes of directors. Unless otherwise ordered by the board of directors, each elected member of the finance committee shall continue to be a member thereof until the expiration of his term of office as a director.

The finance committee shall have special and general charge and control of all financial affairs of the company. The general counsel, the treasurer, the auditor, and the secretary, and their respective offices shall be under the direct control and supervision of the finance committee.

During the intervals between the meetings of the board of directors the finance committee shall possess, and may exercise, all the powers of the board of directors in the management of the financial affairs of the company, including its purchases of property, and the execution of legal instruments with or without the corporate seal in such manner as said committee shall deem to be best for the interests of the company, in all cases in which specific directions shall not have been given by the board of directors.

During the intervals between the meetings of the finance committee, and subject to its review, the chairman thereof shall possess and may exercise any of the powers of the committee except as from time to time shall be otherwise provided by resolution of the board of directors, or of the finance committee, but not of the executive committee.

Except as otherwise provided by the by-laws, or by resolution of the board of directors, all salaries and compensations paid or payable by the company shall be fixed by the finance committee.

No director shall become a salaried employee of the company except by special vote of the finance committee.

ARTICLE IV.—*Officers.*

SEC. 1. *Officers.*—The executive officers of the company shall be a president, a vice-president, or more than one vice-president, a general counsel, a treasurer, a secretary, and an auditor, all of whom shall be elected by the board of directors.

The board of directors may appoint such other officers as they shall deem necessary, who shall have such authority and shall perform such duties as from time to time may be prescribed by the board of directors.

The powers and duties of the treasurer and secretary may be exercised and performed by the same person.

In its discretion the board of directors, by the vote of a majority thereof, may leave unfilled, for any such period as it may fix by resolution, any office except those of president, treasurer, secretary, and auditor.

All officers and agents shall be subject to removal at any time by the affirmative vote of a majority of the whole board of directors. All officers, agents, and employees, other than officers appointed by the board of directors, shall hold office at the discretion of the committee or of the officer appointing them.

The finance committee shall have power to suspend the general counsel, the treasurer, the secretary, or the auditor, and to remove anyone in the department of the general counsel, of the treasurer, of the secretary, or of the auditor. The executive committee shall have power to remove all officers, agents, and employees of the company, except officers elected or appointed by the board of directors, and except officers, agents, and employees in the department of the treasurer, of the secretary, of the general counsel, or of the auditor.

SEC. 2. *Powers and duties of the president.*—The president shall preside at all meetings of the stockholders, and of the board of directors, and by virtue of his office he shall be a member (but not chairman) of the executive committee and of the finance committee. Subject to the executive committee, he shall have general charge of the business of the company, including manufacturing, mining, and transportation, may sign and execute all authorized bonds, contracts, or other obligations in the name of the company, and with the treasurer or an assistant treasurer may sign all certificates of the shares in the capital stock of the company. He shall do and perform such other duties as from time to time may be assigned to him by the board of directors.

SEC. 3. *Vice-presidents.*—The board of directors may appoint a vice-president or more than one vice-president. Each vice-president shall have such powers and shall perform such duties as may be assigned to him by the board of directors.

SEC. 4. *The general counsel.*—The general counsel shall be the chief consulting officer of the company in all legal matters, and, subject to the board of directors and the finance committee, shall have general control of all matters of legal import concerning the company.

SEC. 5. *Powers and duties of treasurer.*—The treasurer shall have custody of all the funds and securities of the company which may have come into his hands; when necessary or proper he shall indorse on behalf of the company, for collection, checks, notes, and other obligations and shall deposit the same to the credit of the company in such bank or banks or depository as the board of directors or the finance committee may designate; he shall sign all receipts and vouchers for payments made to the company; jointly with such other officer as may be designated by the finance committee he shall sign all checks made by the company, and shall pay out and dispose of the same under the direction of the board or of the finance committee; he shall sign, with the president, or such other person or persons as may be designated for the purpose by the board of directors or the finance committee, all bills of exchange and promissory notes of the company; he may sign, with the president or a vice-president, all certificates of shares in the capital stock; whenever required by the board of directors or by the finance committee he shall render a statement of his cash account; he shall enter regularly, in books of the company to be kept by him for the purpose, full and accurate account of all moneys received and paid by him on account of the company; he shall, at all reasonable times, exhibit his books and accounts to any director of the company upon application at the office of the company during business hours; and he shall perform all acts incident to the position of treasurer, subject to the control of the board of directors or of the finance committee. By virtue of his office the treasurer shall be assistant secretary.

He shall give a bond for the faithful discharge of his duties in such sum as the board of directors or the finance committee may require.

SEC. 6. *Assistant treasurers.*—The board of directors or the finance committee may appoint an assistant treasurer or more than one assistant treasurer. Each assistant treasurer shall have such powers and shall perform such duties as may be assigned to him by the board of directors or by the finance committee.

SEC. 7.—*Powers and duties of secretary.*—The secretary shall keep the minutes of all meetings of the board of directors, and the minutes of all meetings of the stockholders, and also (unless otherwise directed by the finance committee) the minutes of all committees in books provided for that purpose; he shall attend to the giving and serving of all notices of the company; he may sign with the president in the name of the company all contracts authorized by the board of directors or by the finance committee, and, when so ordered by the board of directors or the finance committee, he shall affix the seal of the company thereto; he shall have charge of the certificate books, transfer books, and stock ledgers, and such other books and papers as the board of directors or the finance committee may direct, all of which shall, at all reasonable times, be open to the examination of any director, upon application at the office of the company during business hours; and he shall in general perform all the duties incident to the office of secretary, subject to the control of the board of

directors and of the finance committee. By virtue of his office the secretary shall be assistant treasurer.

SEC. 8. *Assistant secretaries.*—The board of directors or the finance committee may appoint one assistant secretary or more than one assistant secretary. Each assistant secretary shall have such powers and shall perform such duties as may be assigned to him by the board of directors or by the finance committee.

SEC. 9. *Auditor.*—The auditor shall be the principal officer in charge of the accounts of the company, and shall perform such duties as from time to time may be assigned to him by the board of directors or the finance committee.

SEC. 10. *Voting upon stocks.*—Unless otherwise ordered by the board of directors or by the finance committee, the chairman of the finance committee or the chairman of the executive committee shall have full power and authority in behalf of the company to attend and to act and to vote at any meetings of stockholders of any corporation in which the company may hold stock, and at any such meeting shall possess and may exercise any and all the rights and powers incident to the ownership of such stock and which, as the owner thereof, the company might have possessed and exercised if present. The board of directors or the finance committee, by resolution, from time to time, may confer like powers upon any other person or persons.

ARTICLE V.—*Capital stock—Seal.*

SEC. 1. *Certificates of shares.*—The certificates for shares of the capital stock of the company shall be in such form, not inconsistent with the certificate of incorporation, as shall be prepared or be approved by the board of directors. The certificates shall be signed by the president or a vice-president, and also by the treasurer or an assistant treasurer.

All certificates shall be consecutively numbered. The name of the person owning the shares represented thereby, with the number of such shares and the date of issue, shall be entered on the company's books.

No certificate shall be valid unless it be signed by the president or a vice-president, and by the treasurer or an assistant treasurer.

All certificates surrendered to the company shall be canceled, and no new certificate shall be issued until the former certificate for the same number of shares of the same class shall have been surrendered and canceled.

SEC. 2. *Transfer of shares.*—Shares in the capital stock of the company shall be transferred only on the books of the company by the holder thereof in person, or by his attorney, upon surrender and cancellation of certificates for a like number of shares.

SEC. 3. *Regulations.*—The board of directors, and the finance committee also, shall have power and authority to make all such rules and regulations as, respectively, they may deem expedient concerning the issue, transfer, and registration of certificates for shares of the capital stock of the company.

The board of directors or the finance committee may appoint a transfer agent and a registrar of transfers, and may require all stock certificates to bear the signature of such transfer agent and of such registrar of transfers.

SEC. 4. *Closing of transfer books.*—The stock transfer books shall be closed, for the meetings of the stockholders and for the payment of dividends during such periods as from time to time may be fixed by the board of directors or by the finance committee, and during such periods no stock shall be transferable.

SEC. 5. *Dividends.*—The board of directors may declare dividends from the surplus or net profits of the company over and above the amount which from time to time may be fixed by the board as the amount to be reserved as working capital.

The dates for the declaration of dividends upon the preferred stock, and upon the common stock, of the company shall be the days by these by-laws fixed for the regular monthly meetings of the board of directors in the months of April, July, October, and January in each year, on which days the board of directors, in its discretion, shall declare what, if any, dividends shall be declared upon the preferred stock, and the common stock, or either of such stocks.

The dividends on the preferred stock shall be payable quarterly, on the fourth Wednesday next after the several dates of the declaration thereof.

SEC. 6. *Working capital.*—The directors shall not be required in January in each year, after reserving over and above its capital stock paid in as a working capital for said corporation, such sum, if any, as shall have been fixed by the stockholders, to declare a dividend among its stockholders of the whole of its accumulated profits exceeding the amount so reserved, and pay the same to such stockholders on demand; but the board of directors may fix a sum which may be set aside or reserved, over and above the company's capital paid in, as a working capital for the company, and from time to time they may increase, diminish, and vary the same in their absolute judgment and discretion.

SEC. 7. *Corporate seal.*—The board of directors shall provide a suitable seal containing the name of the company, which seal shall be in charge of the secretary, if and when so directed by the board of directors or by the finance committee. A duplicate of the seal may be kept and used by the treasurer or by any assistant secretary or assistant treasurer.

ARTICLE VI.—*Amendments.*

SEC. 1. The board of directors shall have power to make, amend, and repeal the by-laws of the company, by vote of a majority of all of the directors, at any regular or special meeting of the board, provided that notice of intention to make, amend, or repeal the by-laws, in whole or in part, shall have been given at the next preceding meeting; or without any such notice, by a vote of two-thirds of all of the directors.

WASHINGTON, D. C., *May 16, 1901.*

TESTIMONY OF HERMON B. BUTLER,

Vice-president and secretary, J. T. Ryerson & Son.

The commission met at 10.48 a. m., Mr. Phillips presiding. Mr. Hermon B. Butler was introduced as a witness, and, being duly sworn, testified as follows:

Q. (By Mr. JENKS.) Will you give your name, address, and occupation.—A. Hermon B. Butler; I am vice-president and secretary of the firm of J. T. Ryerson & Son, Chicago.

Q. How long have you been engaged in the iron and steel business?—A. Eighteen years at Chicago.

Q. I understand you have a brief statement in answer to some questions that were sent to you. If you will be kind enough to present that first we will then question you.—A. (Reading.)

Your witness is a member of the firm of Joseph T. Ryerson & Son, iron merchants, dealing in iron and steel in the form of bars, sheets, plates, tubes.

VALUATIONS IN THE WHOLESALE PRICE OF IRON—HOW AFFECTED BY THE MIDDLEMAN—THEIR INFLUENCE ON THE CONSUMER.

In considering the "influence of combinations upon the iron trade as has been shown during the last few years," certain phases of the past may be considered. Iron is the barometer of general business, indicating the confidence or distrust of all trades. It is bought, sold, and contracted for in large amounts. Those engaged in its manufacture and distribution employ large capital, and are watchful of every slight influence that would affect its price. They are necessarily in constant and intimate relation with all other large interests, transportation, agriculture, mining, and finance. This sensitiveness on the part of those engaged in the business is reflected by the extreme fluctuations in prices. As an illustration, steel bars have sold in Chicago as follows:

1898, per ton of 2,000 pounds, minimum	$19
1899, per ton of 2,000 pounds, maximum	45
1900, per ton of 2,000 pounds, minimum	22
1901, per ton of 2,000 pounds, maximum	33

During the progress of these fluctuations I doubt if the actual consumption was increased or diminished more than 15 per cent. It is those who stand between consumer and producer that are largely responsible for the expansion or contraction in the demand. In speaking of "consumer," I mean the man who finally pays for the finished article, be it household utensil, farm machine, building material, or railroad equipment. It is in his hands that the article begins to wear out and where new wants are created. By "middlemen" I mean all manufacturers from the individual worker in the country villages to the great employer of thousands of men in so many of our industrial enterprises. In a smaller way, but more generally regarded as the "middleman," is the dealer, be he country dealer or great merchant or jobber.

Between the consumer and the producer are many "middlemen." We may begin, for example, with the blacksmith who carries a few kegs of horseshoes. He is supplied by his country storekeeper, while the latter in turn draws on the large

city jobber. Here are three so-called "middlemen," whose stocks never appear in statistics, but who are all powerful in affecting prices (no statistics are kept except of pig iron produced or in storage yards). In the face of approaching good times each of these anticipates a few months' requirements by free buying. As uncertainty and doubt comes, the buying is from "hand to mouth," and, if continued, leads to loss, which eventually falls largely on the manufacturer. Some who have a long enough purse continue to operate at a loss, while their less favored competitors suspend operations and await the return of the demand. These fluctuations have offered attractive fields for speculation, and have affected the smallest retail buyers as well as the one who operates in millions of tons. It is my contention, therefore, that while statistics may show great differences in the apparent demand, as represented by tonnage production in varying years, they do not show what goes to the consumer, but rather show the speculative demands.

How fares the consumer during these fluctuations? He continually pays the same amount for shoeing his horses or repairing his farm machinery, regardless of the Pittsburg price of steel billets or any finished form of the same. Neither you nor I find our household utensils, clothing, food, rent, insurance premiums, bank interest, railroad fares in town or abroad, affected by the varying values of iron and steel; but rather do we know that what we produce or sell shows a larger profit or is in greater demand when iron or steel is high, while, at the same time, there is little, if any, material increase in the cost of the necessities of life.

ORIGIN OF TRADE AGREEMENTS AND COMBINATIONS.

Associated with the inevitable fluctuations in prices, trade agreements or combinations have come into existence with every upward wave in values. They have seldom been the cause of, but rather a part of, all such movements. Their end came as prices receded. They were the formal or public announcement of a uniform advance affecting all alike, rather than an effort to secure an abnormal profit by stifling competition.

These agreements have been made between manufacturers producing like products, dealers handling similar materials in large cities as well as in small towns. Those entering into these agreements have had in view very moderate and reasonable ideas as to profit, but manufacturers and other buyers and users, as shown before, always scent in these iron "combinations" higher prices, and their enlarged purchases are responsible for the advances that always follow.

Following every trade agreement there appears such a demand as would warrant the supposition that the stocks of the country were exhausted. Prices advance in spite of the effort to prevent a rise on the part of those who would profit most by this condition. Competition follows, overproduction is apparent, and profits disappear until business is conducted at a loss except by those most favored.

At this point economies in manufacture never dreamed of before and new forms of consumption hitherto unknown are developed, until prices again advance, when trade agreements are once more entered into, and up and down prices go and ever will go.

Without further generalization I will express specifically my personal views as to the points propounded by your distinguished expert.

As I admit early in this discussion, there have been "combinations" in iron and steel. I use the word "combination" as expressing all forms of trade agreements, pools, etc. They have been a part of every upward movement in prices. They have served to draw public attention to supposedly large, but, as developed, temporary profits, and after every upward wave there has followed a constantly lower level; lower, I believe, than if there had been no combinations. I am prepared to defend this proposition.

INFLUENCE OF COMBINATIONS UPON WAGES.

The "influence of combinations upon wages" has been beneficial, I believe. It is a safe axiom that those concerns who are the most successful pay the largest wages. If combinations are able to induce large profits, the wage-earner, by this fact, must benefit. He can secure better terms from one who is making money than from him who is not, and he has greater opportunities for learning the facts regarding this matter from a large organization than from a small organization or an individual owner.

If the public press is to be depended upon, organized labor welcomes the new order of business, and we must accept its judgment. It is said that much of the labor which deals with the selling or accounting of various concerns could be done away with were these concerns operated under one head. This may be true, but at the

same time there would be the necessary addition of new or enlarged departments to deal with cost keeping or statistical records, and carried to a refinement unknown or unnecessary in smaller or individual concerns. This would make the business a science, and would absorb much of the labor that might seem superfluous on account of organization. Nor is it to be supposed that the great "captains of industry" are to receive less for their added responsibilities than they received when they were controlling smaller industries.

EFFECTS OF COMBINATIONS, BENEFICIAL OR INJURIOUS.

I am hardly prepared to speak as a prophet with reference to the beneficial or injurious effect of combinations. It will be the fellow whose toe is stepped on that will make more noise than the thousands who are quietly and happily pursuing their callings. With every development of human life some must suffer. Steam was death to the stage coach and petroleum to the tallow dip. If the new conditions are best for the greatest number they will survive, and no man, much less your witness, can guess better than this.

REMEDIAL LEGISLATION.

"Possible legislation to remedy any evils of combination" would be fruitless, in my judgment. The public has not profited by its attempts to secure better terms from the railroads by appealing to the legislature. If any dozen men are in business, and competing with one another for a livelihood, and they find some effort is made to curtail their individual earnings, they will combine as one body and secure such a vantage ground as will enable them in the future to gain greater advantages than if they had been left to compete with one another. Competition will not cease so long as there is a human mind. It is, however, to be on a larger scale, with less waste and more intelligence, less speculation and more openness. The quality of products is to be raised and extreme fluctuations are to be ended; but legislation, from the standpoint of a disinterested layman, can not serve to increase competition, but rather lessen it.

EFFECT OF AN INCREASE IN THE PRICE OF IRON AND STEEL UPON THE CONSUMER.

Q. (By Mr. Jenks.) I understand you to say that the increase in the price of iron and steel does not affect the small consumer. In your judgment, does the increase in the price of iron and steel tubes, such as are used for supplying gas to houses, water and heating purposes, etc., increase the cost of plumbing to the consumer?—A. That would considerably increase the cost to the man doing plumbing.

Q. Suppose a man was building?—A. For a new house it would add to the cost.

Q. That is simply one illustration. Do you think that speaking generally one could say that the cost to the consumer is not increased by the great increase in the price of iron and steel in the last few years?—A. I should say to the small consumer it would represent a very small increase, while to the man that would buy a carload it would show a large increase.

THE PURCHASE OF IRON AND STEEL BY MIDDLEMEN FOR SPECULATIVE PURPOSES.

Q. You have spoken of the persons who stand between the producer and the consumer. Are they responsible for the increased price in any way other than through the fact that they buy in advance for speculative purposes?—A. I think nobody would deny it is a speculative purchase. I could best illustrate that by the conditions that have prevailed for the past 2 or 3 years. In 1899 we had a very large advance in iron and steel. Prices started from as low as 1 cent a pound and went up to as high as $2\frac{1}{2}$ or 3 cents a pound. That maximum price was reached in the early part of 1899. As the election approached, or rather as the convention approached and the election came upon us, prices went down, and during that time there was great activity in agricultural interests. They were free buyers, but our salesmen reported that the little storekeeper, the man who was accustomed to carry 10 kegs of wire nails, or a few reels of wire rope, or a few horseshoes, allowed his stock to run down to the very lowest point. The consumption was going on steadily all the time, and when the election was decided, and it seemed as though we would have good prices, then these same people replenished their stocks, deliveries became more and more delayed, and there was a rush of business, as there is to-day. I do not think the consumption varied more than 15 per cent. Consumption was going on continuously all the time.

Q. You spoke of prices going down decidedly just a little while before the election, owing to the uncertainty as to the future. Was that the cause, in your judgment?—A. Yes.

ECONOMIES REALIZED BY CONSOLIDATION.

Q. You spoke also of the various economies that could be effected by consolidation. Will you enumerate briefly what the chief economies are, in your judgment?—A. If there are 5 concerns there are 5 presidents, 5 secretaries, 5 treasurers, and so on. Under consolidation they would be reduced to 1 president, and possibly the other persons might be regarded as the executive board. There are fewer branch offices, which are very expensive. There is less expense entailed in the effort to secure business. Of course the same economies would apply to all tho various departments.

Q. The economies, then, in your judgment, are largely the saving of labor, particularly in the administrative end?—A. I do not maintain that there is necessarily a saving in money, but there is a saving in the number of people who are doing certain kinds of work.

RELATIVE EFFICIENCY OF ADMINISTRATION IN LARGE AND SMALL SCALE PRODUCTION.

Q. In your judgment, is the administration in a large establishment likely to be more or less effective than in a large one?—A. It ought to be more effective.

Q. From your experience, would you say that it had been?—A. Anything I could say would be purely theoretical. That would provoke a discussion as to whether the individualism of the old methods would develop a higher quality than the specialization of the new methods. That is pure theory, and I am not competent to give an opinion on that.

Q. It was largely along that line that I asked the question. We have had considerable testimony on both sides, some thinking that the interest of the individual producer would enable him to be more successful than a person working on a salary for a large corporation. On the other hand, the efficiency of organization has been brought out; and it was along that line that I wished your opinion, if you had one that was at all definite.—A. In the conduct of our own business, I believe that the best service is done where those associated with us profited in proportion as we profited. That is the way we conduct our business, and I think that is the way the most successful concerns in general have conducted their business.

Q. Would you explain that a little more in detail? Does that mean, as the profits of a large organization increase, they should be more or less divided among the workers?—A. To get the best results, yes.

EFFECT OF COMBINATIONS UPON COMPETITION.

Q. Do you think that under the system of consolidation there is likely to be a substantial suppression of competition?—A. No; I should say it would be developed.

Q. Will you explain a little more in detail what you mean by that?—A. Well, I suppose the purpose of that organization which has been effected recently is for the purpose of making money—largely by the practice of economies. Now, the profits are not usually voluntarily diminished in business. If every manufacturer would make his profits based on a 6 per cent basis, he would not have much competition, but if by any apparent monopoly he magnifies those profits, it is an encouragement to other people to enter into competition with him. Personally, I would welcome high prices in any commodity, because there follows lower prices, which would not otherwise exist unless the profits were large. I think an illustration of that is seen in the condition of the tin-plate business in Wales. Profits have been very small. Had they been large they could have accumulated enough to introduce labor-saving devices, as has been the case with our American manufacturers, and in that way greatly reduce the cost; but being without any money, they could not do so.

Q. There have been, of course, a great many consolidations in the iron and steel industries during the last few years. Has it been your experience that there has been any particularly monopolistic effect from these consolidations? Is there any difficulty in securing a sufficient supply of goods?—A. There was never any difficulty in securing supplies. Any one has been able to get an abundance of supplies on equal terms with other consumers, and at prices which are satisfactory.

Q. Do you mean to get supplies from the consolidation or outside, or either?—A. From the consolidation or other concerns.

Q. It would be your judgment, then, that these various consolidations have not succeeded in stifling competition?—A. I think no effort has been made to do so.

Q. Do I understand you to take the general position that prices in the long run are lowered by combinations?—A. Yes.

Q. Although temporarily they have been raised?—A. By the large profits that result from these combinations new and similar enterprises are entered upon. Then, as I stated, there comes an excess of production and prices drop, and new forms of economy are absolutely necessary in order to survive.

STIMULUS GIVEN BY COMBINATIONS TO THE ESTABLISHMENT OF NEW PLANTS AND TO THE ADOPTION OF IMPROVED METHODS.

Q. (By Mr. LITCHMAN.) Does that combination aid in the establishment of new plants?—A. Largely.

Q. And in the establishment of these new plants the most improved methods are applied?—A. Necessarily, yes. I might illustrate that by the case of a friend of mine who was a large manufacturer and making about $50,000 a year. He had a very comfortable business. When the panic of 1893-1895 came on, prices went to a level where he was losing money. At this point he introduced labor-saving devices, watched all his expenses, and in the next year following this he came out even. Then the good times followed after 1896-97, and he then made $50,000 a year, which was really the result of the economies forced upon him by the hard times. That is my point.

Q. (By Mr. JENKS.) In the same way economies will be forced by the more vigorous competition of combinations?—A. I should say that if a manufacturer of iron and steel should put up a plant of the most modern character to-day, it would be antiquated in 5 years.

COMPETITION BETWEEN COMBINATIONS AND INDEPENDENT CONCERNS.

Q. (By Mr. PHILLIPS.) Has any competition of any magnitude sprung up since the new combinations have been formed, and, if so, where are the new plants? You have alluded, for instance, to the tin plate and other combinations and the recent combines in steel and iron.—A. There are a good many very large steel concerns in existence to-day outside of the United States Steel Corporation.

Q. Have they been induced by the combination?—A. They were prior to the consolidation. They were induced to go into business by the general and unusual—I would say abnormal—prosperity of the iron and steel business in the last 4 years.

Q. Do you think any reasonable sum of money could be put into the tin-plate industry in competition with this combination as it now exists with any hopes of success?—A. Well, a reasonable sum is a pretty hard thing to determine. There is a concern at Sharon, Pa. I think their capitalization is from 7 to 9 million. I do not know the exact amount. You can not conduct an iron business profitably except with a large capital.

Q. Have these works started up yet?—A. Oh, yes; they are running.

Q. How long?—A. I saw by the morning paper that Mr. Schwab, the president of the United States Steel Corporation, visited their works yesterday, and said it was a very large and fine plant. Some departments have been running, I think, for a month or two.

Q. It is not long enough to know whether they can successfully compete with the combination?—A. No.

Q. (By Mr. LITCHMAN.) Your point is not that they could successfully compete, but in the natural order of things the effort would be made to compete?—A. Yes.

Q. It would be developed afterwards whether they could successfully compete?—A. Time alone could determine that.

Q. (By Mr. A. L. HARRIS.) Would they not merely follow the price made by the combine?—A. Yes.

Q. Is that strictly competition?—A. Well, as merchants we employ salesmen, and the main purpose of a salesman is to find out the other fellow's price. That is not what we tell him to do. We tell him to get orders, but the main purpose is to find out the other man's price, and if he finds it out and he can not get an order at a nominal concession—a concession too slight to be of importance—he is not worthy of the salary he is drawing. I do not think an absolutely level price is possible except on an advancing market. It has always been on an advancing market in all sorts of iron and steel interests.

Q. (By Mr. FARQUHAR.) In the establishment of a small or great manufacturing establishment, is not the important fact that it goes into existence and becomes an important competitor, price or no price?—A. Yes; until it gets into the hands of the court.

Q. And whether the competing company, great or small, generally accepts the price of the combination or not, that competing company will get its product out and find its customer and will possibly shade the price?—A. Yes; if necessary.

Q. (By Mr. A. L. HARRIS.) In the case of severe competition, would not the large combinations be able to freeze out the small concerns?—A. It would be at such a frightful sacrifice that it would be suicidal to make any attempt in that direction.

COMBINATIONS ARE ADVANTAGEOUS TO THE SMALL CONCERNS.

Q. (By Mr. PHILLIPS.) Well, could they not follow the smaller concern into any given market, undersell in that particular market, and recoup in the general market?—A. I think they could reach markets that would not otherwise be sought for or held by a small concern, but I would say this, as a general law: That combinations are always to the advantage of the small concerns.

Q. (By Mr. JENKS.) I wish you would follow that out a little further.—A. I would put that down as a general law. On the line which I said, a large concern has to appear under a formal, and generally under a public, program; a small concern has the advantage of keeping its methods and its operations to itself. It can seek specialties on which there is a larger profit. It can conform its operations to the peculiar requirements of its customers, and it has the right to make a slight concession at all times, and in a way that is not known to the large concern. I would illustrate that by something that happened in Chicago. It was at the time the interstate-commerce law was passed, and one of our larger clubs, the same as the Merchants' Club, was discussing this law. Senator Cullom, the author of the bill, was there as one of the speakers, I believe, and naturally defended it, and there were present also either one or two of the corporation counsels of the railroads. They opposed it, but to my mind the speech of the evening was made by Mr. Bartlett, of Hibbard, Spencer, Bartlett & Co. They are probably the largest hardware dealers in this country. Mr. Bartlett, in the course of his speech, made the remark that I have just made—that there never had been a combination maintained in his business, and that a combination was always to the advantage of the little fellow, whose growth was at the expense of the large concerns.

Q. (By Mr. PHILLIPS.) Then what is the benefit of all these large concerns? Why should we have combinations if the smaller operators have the advantage over the larger ones?—A. Well, if you and I are running small grocery stores diagonally across the street, and we each employ a clerk, a telephone, and a delivery wagon, and you come to me and say, "Now, you must sell out to me and we will run one concern. We will get rid of one of those delivery wagons and get rid of one of the clerks, and I will give you a job as my chief salesman." Under the new arrangement there is apparently an immediate advantage, but we begin to get a little more money, and we have more courage; we get a front seat in the church, and finally our scale of living gets onto a plane which involves personal expenditures which we never contemplated before. Now, another fellow comes along and goes back to the corner that I left, and his growth is at your expense and my expense.

Q. (By Mr. KENNEDY.) I should like to ask you if you believe that small producers and refiners of oil benefit by the great Standard Oil combination?—A. I am not in the oil business.

Q. Do you think the principle you speak about applies in that business?—A. I would say this: I pay less money for the oil I burn on my table than for the water I drink.

Q. I would like to ask you if you believe that, since there are independent producers and refiners of oil who are conducting business at a profit, this principle you speak about enables them to continue?—A. I can say from hearsay, but not from personal knowledge, that there are a number of independent refiners who are making a great deal of money on actual capital employed. I could not name you those concerns, but I am told that that is true.

Q. And the octopus has benefited instead of injured them?—A. I should say it would.

Q. Is it or is it not a fact that the Standard Oil Company has followed up the independent refiners and sold in given markets at a much less price than it has sold to the general consumer, and has followed them from market to market and destroyed their business, over and over again?—A. It is so stated in Mr. Lloyd's book, Wealth *v.* Commonwealth.

Q. (By Mr. FARQUHAR.) Is it not a fact that the smaller foundries, which manufacture sundries, often reap a profit amounting to 20 or even 30 or more per cent in casting, manufacturing, and finishing of products which the larger manufacturers never handle at all?—A. The smaller a manufacturer is the greater his percentage of

profit must be. I should say that that is a pretty fair rule, because the fixed charges of a small concern are very great in proportion to the profit. That is, a concern could just as well melt 20 tons a day as 1.

Q. Is it not true that nearly all of those small concerns have the advantage in making the price and doing the work for all odd-sized castings?—A. That is by reason of their propinquity; it is a matter of convenience.

Q. Larger concerns never compete in that at all, so that the sundry manufacturing in the United States must be quite a large figure for these small concerns?—A. Yes.

Q. And isn't here a case where a considerable profit goes to the small concerns that does not go to the larger ones?—A. Yes.

Q. Since the organization of the steel combinations of 2 or 3 years ago (not referring to the United States Steel Corporation) there have been in existence, in apparent prosperity, several independent iron and steel manufactories?—A. Oh, they have all made tremendous profits.

Q. You have been able to get supplies as readily from independent concerns as from the combinations themselves, and, substantially, on as good terms?—A. The only difficulty in getting supplies has been by reason of the great demand, that is all; there has been no other trouble of any kind.

EXPORT AS COMPARED WITH HOME PRICES ON IRON AND STEEL.

Q. (By Mr. JENKS.) Can you give any information with reference to the relative prices of iron and steel for export as compared with those for home consumption?—A. Well, in our line there is no difference. We do some export business, and in our negotiations in the last 2 or 3 years we made a distinct effort to get a lower price, by reason of its being export business, and we were unsuccessful.

Q. (By Mr. KENNEDY.) What is your line?—A. We are dealers in boiler plates, bar iron, sheets, and products of that kind.

Q. Are you jobbers?—A. You may call us jobbers; yes.

Q. (By Mr. JENKS.) According to your experience of the last 2 or 3 years, you have been unable to give a lower price for export than for home consumption?—A. Yes. There is another very curious thing about business, and it is human. If any of you gentlemen are in business I think you will recognize it. A man usually gets a better price for what he sells at home than abroad. Business that is at my door I think belongs to me, but I am willing to make a sacrifice to get a foreign market, because by that very process I reduce my cost at home. By a foreign market I mean a market outside of my natural territory. I would say the Chicago merchants sold for less money in Omaha than they did in Peoria, because they are either competing with St. Paul on one side or St. Louis on the other, and I would say that they sold for less money in Denver than in Omaha, and for even less in San Francisco than in Denver.

Q. (By Mr. KENNEDY.) On that same principle the great combinations will sell cheaper in England or Germany or Russia than they will in the United States?—A. I think we all would do that. I would call that very similar to exploiting a mine. Now, the imprudent man would exhaust his ore and take his profit and close up the mine. A prudent man takes a certain amount of his profit in dead work, you may call it, advancing its sureness in the continuation of the business. To get business, for example, from Portland, the method may be adopted of sending a salesman there at a very large expense, or, on the other hand, a reduction in prices may be made to dealers there. Whichever way is adopted, the expense comes out of the profits in some form or other. Either the customer receives the benefit, or it is given to the salesman.

Q. (By Mr. A. L. HARRIS.) Is there no danger that the St. Louis man or the Omaha man may make an invasion into that territory on the same principle?—A. Yes; they do.

Q. Then it equalizes the price?—A. But he can not get back to my place; he can get a neutral point.

Q. (By Mr. LITCHMAN.) Do you think this same method is employed by the foreign manufacturer to enter our market?—A. It has been in the past.

Q. Why not now?—A. They can not do it; their prices are too high to permit it.

Q. Too high on account of what?—A. They can not produce over there nearly as cheaply as we can.

Q. You think that is the only reason for their not coming into this territory?—A. Yes.

THE TARIFF AND COMPARATIVE LABOR COSTS.

Q. What, then, is the use of the tariff?—A. You mean in reference to this at the present time?

Q. Yes; any time. When we have reached a point where we can produce cheaper

than they can abroad what do we want a tariff for?—A. I should say that when the price reaches that point the tariff ceases to be of any service to us.

Q. This very statement you have made to the effect that American goods are often sold abroad cheaper than they are sold in the United States has been given as an argument in favor of a reduction in the tariff. Do you think that is an argument in favor of the removal of the tariff?—A. Well, if I were a manufacturer I should say that that was not a sufficient argument; but as a taxpayer I should say that it was.

Q. Generally speaking, then, as a jobber and not as a manufacturer?—A. Well, a jobber is a very small factor in the whole situation. He is a distributer, and a man of very small importance in the fight. He is a very necessary man, however.

Q. Mr. Schwab here the other day took very strong grounds against the removal of the tariff.[1] He spoke probably as a manufacturer then?—A. As I read it, the only thing he laid stress on was the tin-plate tariff.

Q. He spoke concerning the tariff on all goods where labor formed a large proportion of the product; on steel rails and billets he thought possibly there was not so much difference. Have you given any thought to that subject?—A. I have not considered the tariff, because it has not seemed a necessary matter in the last 3 or 4 years, we have been such free exporters. We have not had the slightest difficulty in getting business, and we have done business in Africa in competition with England.

Q. (By Mr. JENKS.) Have you been getting prices as high as you are getting in the United States?—A. Not only the prices, but the way we get the business is easy.

Q. (By Mr. LITCHMAN.) Where do you obtain the materials used in your business?—A. Largely in the Pittsburg district.

Q. You buy from manufacturers?—A. Yes.

Q. You are a middleman between the producers and consumers?—A. We are.

Q. If you can take goods as middlemen and make a profit, certainly the manufacturer selling directly to the foreign market can sell as cheaply as you can?—A. Certainly. Our product was for material for the South African mines. We brought it up to Chicago and converted it into the shape in which it was to be used—that is, in the form of tanks—and shipped it to Africa.

Q. You applied an extra amount of labor to that raw material, did you not?—A. Yes.

Q. Can you give any idea how much labor was thus supplied, and how much additional cost was given to the product?—A. I can not answer that question. I will give you what I think you are trying to get at in another way. We were able to get that business in Africa, first, because the price of raw material in this country permitted us to do so in competition with the raw material in England, but more largely because the methods of handling material in American shops is very much better than those in English shops. They are under the control of labor organizations there. That makes American competition very easy on engines, machinery, and anything of that kind.

Q. Are your goods secured in any way by patents?—A. No.

Q. Haven't you labor organizations in your works?—A. We are not manufacturers. We sublet that work.

Q. You know, of course, what the raw material costs you per ton. Can you state what cost is added by reason of the work which you do on every ton?—A. You know that varies with the nature of the work. Of course if plate steel was 2 cents a pound and additional labor was a cent a pound there would be 50 per cent, and if plate steel was 1 cent a pound and labor 1 cent, there would be 100 per cent.

Q. It has been claimed that where labor was a large element in the cost of the finished product, the necessity for tariff protection was greater. I wanted to try and draw out, if I could, the additional labor cost that was added by reason of your handling the raw material which you received.—A. Of course the little we do is trifling as to the great general proposition, but in certain forms of sheet steel with which I am familiar, I will say that the price to-day is lower in England than it is here. That is, where there is a great deal of hand labor. The other forms—that is, of a thick material—are less here, because that work is done here with little labor. You start with a sheet of steel like this [indicating] and pass it back and forth through the rolls, gradually bringing it down as thin as that [indicating]; when it gets down to that thickness they can beat us to-day in price, because there is a great deal of common and very cheap labor, but where you start with a thick piece like that [indicating] we can beat them.

Q. (By Mr. KENNEDY.) Did you say you were not a manufacturer?—A. No; we are not.

Q. You let your manufacturing?—A. We sublet it; yes.

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[1] See pp. 456, 465–466, 516.

THE UNITED STATES STEEL CORPORATION.

Q. You buy your material which is manufactured from the concerns of the United States Steel Corporation?—A. We do now; we did not at that time. I do not know that they have been selling as the United States Steel Corporation yet.

Q. I would like to ask if any of the concerns of the United States Steel Corporation manufacture along this line of yours?—A. No.

Q. Is it not their intention to do that?—A. I think not. I am not competent to speak on that subject, but as a matter of business policy I should think it would be more natural for them, dealing in large quantities as they do, to deal rather in tonnage than in finished products.

Q. You think it is not their intention to combine the manufacture of steel in all its ramifications?—A. I can not imagine any such intentions.

FUNCTION OF THE MIDDLEMAN IN THE IRON AND STEEL TRADE.

Q I was wondering whether it was the intention of the United States Steel Company to eliminate the middlemen of your character and thus, as they say, to reduce the cost to the consumer by removing commissions and profits between the producer and the consumer.—A. Well, I can not answer that. It is one of those things that keep us awake at night. Except during the experimental stage, I feel absolutely sure that there must be some one to establish equilibrium between producer and consumer; otherwise there will be chaos in the business. If all stocks were held by the manufacturer, the public would suffer by reason of inability to obtain supplies under stress of accident or unexpected circumstances.

Q. (By Mr. FARQUHAR.) That is an argument for the continuation of the middleman or the distributer?—A. That is my personal opinion. I think if I were a manufacturer I would view it that way.

Q. Do you think there will always be a necessity for middlemen in your business?—A. Our business has been a growing one, and I can not see how it is possible to dispense with a concern like ours.

Q. When these great combinations claim so much for their methods of direct distribution they refer simply to the immediate product, do they not? Is there not in the iron trade, even if you do not include hardware, a large percentage of other products which are not in the combination at all, and yet which really require the services of concerns like Ryerson & Co. in order to reach the consumer in the most economical way?—A. A merchant comes in contact with the consumer in the infancy of the trade. Our concern, for example, has been doing business in Chicago for nearly 60 years, nourishing the trade in one way or another by credit or price. There will doubtless come a time, however, when the large concerns will outgrow us. They have all grown up in Chicago since our house was founded. When Mr. Ryerson began business in Chicago in 1842 there was not even a railroad there. In our business the merchant serves as a buffer between the manufacturer and the consumer, supplies the unexpected and the occasional want; he is the banker; he permits the manufacturer to operate when there is a sudden cessation of orders; he is a regular depot store of supply. It is he who permits the consumer to have his wants supplied regularly. I should say the middleman is the fly wheel of business if he does business legitimately, if he is honest, pays cash, and pays all expenses of distribution.

THE IRON AND STEEL TRADE DURING RECENT YEARS—MOVEMENT OF PRICES.

Q. (By Mr. CLARKE.) You spoke of the iron and steel business as having been abnormally good during the last 3 or 4 years. Do you mean that it has been unnatural, or that it has been unprecedentedly good?—A. Well, I should say an advance in prices of 200 or 300 per cent gives abnormal prices.

Q. What was the cause of that advance?—A. You recollect the dark days from 1893 to 1895? I do not like to talk about these things now.

Q. Prices were quite abnormally low?—A. Abnormally low.

Q. Then an advance?—A. People do not buy on a falling market. It chills purchases when prices get down, and there are a thousand reasons why they are going lower where there is one for their going higher. The same is true when they get to the top; there are a thousand reasons why the prices are going just a little beyond. When prices were low you could get satisfaction easily; people seemed crazy to sell; business was stimulated, and there was a tremendous shortage.

Q. (By Mr. PHILLIPS.) Did the prices go down from 50 to 75 per cent below cost? You have said that they have gone up 200 or 300 per cent.—A. I said in 1899 prices advanced from 100 to 200 per cent.

Q. (By Mr. LITCHMAN.) What is your basis of comparison?—A. We started at the basis of $20 and went up to $45.

Q. The $20 price was an abnormally low price?—A. Below cost.

Q. Is it a fair comparison to speak of an abnormal advance over an abnormal reduction?—A. When I say it was below cost, I mean it was below cost by a very little amount.

Q. (By Mr. CLARKE.) Something above cost would be normal, would it not?—A. A manufacturer ought to make 25 per cent profit on a business.

Q. Then a jobber must make something?—A. Oh, a very small percentage.

Q. Jobbers live for the public good, I suppose?—A. No; they are living for the jobbers' good.

Q. Well, to be candid about it, a manufacturer must have a little profit and the jobber must have a little profit?—A. A manufacturer ought to have a large profit in this age when changes in the methods of production are so rapid.

Q. (By Mr. JENKS.) It is normal for the manufacturers' profit to be larger than the others?—A. Yes; many fold larger.

NEW USES FOR IRON AND STEEL—THEIR EFFECT UPON PRICES.

Q. (By Mr. CLARKE.) Have there been any new uses of steel and iron which would naturally call for an increased tonnage and justify by that demand an increased price?—A. There are new uses coming constantly which enlarge the demand and cause higher prices to follow.

Q. One or two of the largest manufacturers have testified before the commission that the new uses of steel for structural purposes, frames for buildings, for vessels, and for bridges call for a tonnage greater than all the world previously used. That being the case, and that being of recent occurrence, would not this extraordinary demand justify a considerable advance in price, that advance being perfectly normal?—A. You mean an advance in profit or an advance in price?

Q. Price.—A. I should say the advance in price was caused by the many new uses. You have omitted one which I think is quite as important—that is, the use of steel in car building. I know in our particular branch of business—that is, heavy plates—there are more plates used in building cars to-day than would be represented by the entire production of steel plates of 10 years ago.

Q. That being the case, is it not a fact that when there is an increasing demand in the market for any commodity there is usually a normal advance in price?—A. I do not think it is normal. I think that the minute that any of us anticipate an advance, all of us rush in and try to get the advance before the other fellow does. This creates an abnormal demand, and by the time this demand reaches the manufacturer it is greater than it ought to be. If we could all be patient we could all get our wants supplied without any great advance in price. None of us are patient in the conduct of our business. The little fellow who has a blacksmith shop at the four corners, and who is accustomed to buy a ton of iron, notices by the papers that the price is going up, and he thinks he will buy 2 tons. That very thing extends all along the line.

Q. You are speaking of a characteristic of human nature?—A. I am.

Q. That is one phase of nature. What is normal is natural.—A. That is the normal characteristic of us all.

Q. Has human nature got to be taken into account in determining whether a demand is normal or not?—A. You can't always determine whether a demand is normal or not by a measure of figures.

Q. Is the market overstocked at the present time with iron and steel goods?—A. I should say there is a shortage rather than an overstock to-day.

Q. Are prices unduly high in your judgment?—A. No; nobody could criticise prices to-day.

Q. Then you say nothing is abnormal in the present condition of the market?—A. I would say there is a very much larger demand from the consumer than we have ever known before. That is effected by the demand for finished materials, farm machinery, stoves, and all sorts of household utensils. All interests of that kind are busier than ever before.

Q. Is not that apt to be the case when general prosperity prevails?—A. Coincident.

Q. And the reverse when hard times are here?—A. Yes.

Q. Well, then, which is the normal condition?—A. The normal condition is the fluctuating condition, I suppose. We are moving up or down, expanding or contracting all the time.

Q. On the whole, the tendency is forward and upward, is it not?—A. I should say the tendency is to a lower price and to a larger production.

FORCES PREVENTING THE INTRODUCTION OF IMPROVED MACHINERY.

Q. You spoke of the tin-plate business in Wales and mentioned that owing to the smallness of the profits there the manufacturers were unable to introduce improved machinery.—A. Yes.

Q. Have you ever heard that the firm of E. Morewood & Co. had in their possession for several years an improved machine that the labor unions would not permit them to use?—A. I have not. I do not know anything about it.

EFFECTS OF OVERCAPITALIZATION.

Q. (By Mr. JENKS.) I wish to ask a question with reference to the capitalization of these larger combinations. It has frequently been asserted that many of the larger combinations, not merely in iron and steel, but along the whole line, are considerably overcapitalized, and many people think that is an injurious condition. I should be glad if you would express an opinion with reference to this subject of overcapitalization, as to what you understand by it, whether you think it is injurious, etc.—A. Well, I would answer that and make a personal application in my business. If we capitalized the good will of our business, it would be a burden to pay a dividend on that, and I presume if it should lie in our power to pay a dividend on that we would try to do so, but it would require the employment of an unusual effort and the creation of profits which we probably would find difficult to maintain.

Q. Your idea is, then, if I understand the application, that the proper basis of capitalization would be tangible assets?—A. Well, I should say tangible and assured, as distinct from prospective.

Q. Would you have the further opinion that capitalization above that is likely to increase the price to the consumer?—A. I should say it would have the effect of stimulating competition, since every excessive capitalization would assume a capitalization of good will which a competing concern would not necessarily have to be burdened with.

Q. So that if the combinations attempt to capitalize good will to any great extent, the result would be that they would probably attempt to increase or pay dividends through prices rather higher than normal, and that would almost inevitably bring new competitors into the field. Is that your position?—A. That would be my opinion and my deduction.

INDUSTRIAL COMBINATIONS THE NATURAL AND BENEFICIAL DEVELOPMENTS OF TRADE.

Q. (By Senator KYLE.) As a jobber you are naturally interested in the welfare of the retail dealers throughout the country, and of people generally?—A. We don't sell to dealers; our business is largely with consumers.

Q. Speaking from the standpoint of a dealer, do you look with anxiety and apprehension upon these combinations of great industries called trusts?—A. No; I do not.

Q. Do you think they work for the benefit of the people?—A. I do.

Q. (By Mr. FARQUHAR.) Do you regard these combinations as a natural development of the trade and commerce of this country?—A. I do.

Q. (By Mr. KENNEDY.) You say that these industrial combinations came in the natural development of the trade of this country. Don't they come in the natural development of the trade and commerce of the world?—A. They do.

Q. And this new development in industry, you think, would come whether there was any tariff in this country or not?—A. It would come anyhow. It is the process of the elimination of unnecessary expenses. I can state an illustration of that. There are 2 large concerns in the West making an article that goes to the farmer; 50 per cent of the cost of that article is in the distribution of it, and yet if those 2 concerns should combine and by so doing reduce their price 25 per cent (which they could easily do and still make a much larger profit than now, by reason of the elimination of some of the distributers, salesmen, agents, etc.), there would be a clamor that the farmers were being robbed.

Q. (By. Mr. A. L. HARRIS.) What kind of an industry is that?—A. Agricultural machinery. You know that in the bicycle business they used to spend 30 to 40 per cent of the retail price to get the bicycles into our hands.

COMBINATIONS REGULATED BY NATURAL LAWS—REMEDIAL LEGISLATION.

Q. You say in your paper, I think, that legislation for the control of these combinations would be useless or unnecessary. By that do you mean that the laws of trade are not subject to legislation?—A. I should say that we have good laws on the statute

books to-day, but the most relentless and untiring law is the law of supply and demand, and it reaches us instantly and individually.

Q. Do you think that in the management of the entire business of the United States correctives enough are to be found in natural laws for all abuses, without requiring recourse to politicians and statutes?—A. I am an advocate of free and unrestricted competition, operating under our laws to-day.

Q. In other words, you think the business men of the United States can take care of themselves, take care of business, and at the same time be fair to consumers?—A. Yes; that is my judgment.

Q. (By Senator KYLE.) Do you think the so-called trusts are organized in restraint of competition?—A. Well, I would say my answer to that would be that any effort to restrain trade would be reactive against the concerns attempting it, and they, and not the consumer, would suffer.

Q. So the matter will ultimately correct itself, in your judgment?—A. Of course in a large enterprise the result is slower in operation, but in the end will be the same. We never have made any money by combination in any way, shape, or manner. We have always suffered by it. We have had opportunities personally of going into combinations, which we have done in the past, but not in recent years, because it does not pay. If we had a competitor in our own or another city that we could buy out, as we did once, the very minute we bought that concern out we reduced our price, simply because we knew that our trade would think that by means of our apparent monopoly we would enjoy for a short time a chance to take advantage of them. I think most business men would feel the same responsibility and act in the same way at once.

DANGER OF LEGISLATING FOR THE CONTROL OF INDUSTRIAL COMBINATIONS.

Q. (By Mr. CLARKE.) Believing these combinations, then, to be natural and beneficial, you see no reason why any of the good laws existing at the present time should be changed merely to get back at these combinations?—A. My answer to that would be that any law would be in restraint of competition, because it would have to affect not only existing interests, but other interests of a similar nature which we must look forward to as being of the greatest benefit to the human race. Business has to be done on a large scale, with the greatest possible economy, and I would say that legislation would be in the direction of restraint of trade.

Q. Suppose a law should be passed which would injure an industry; which could stand the bad effect of that law the better, the United States Steel Corporation or some small concern that was competing with it?—A. That is a hard question to answer. Whether the stockholders of the United States Steel Corporation, who might be widows and orphans, could stand that better than an individual owner operating a plant I do not know. I should say in the long run the individual operator would succeed.

Q. Do you think the widows and orphans could stand the stress of a storm or shipwreck better than an athlete?—A. The athlete would probably be left to shift for himself, while the widow or orphan would be put in a lifeboat.

Q. (By Mr. PHILLIPS.) Have you anything to volunteer to the commission on any ground that you have not covered?—A. I have not.

(Testimony closed.)

WASHINGTON, D. C., *May 17, 1901.*

TESTIMONY OF MR. WILLIS L. KING,

Vice-chairman Jones & Laughlin, Limited.

The commission met at 10.40 a. m., Mr. Phillips presiding. At that time Mr. Willis L. King was introduced as a witness, and, being duly sworn, testified as follows:

Q. (By Mr. JENKS.) Please state your name, address, and official position.—A. Willis L. King; vice-chairman of the firm of Jones & Laughlin, Limited; Pittsburg, Pa.

BUSINESS AND CAPITALIZATION OF THE JONES & LAUGHLIN COMPANY.

Q. What is the business of Jones & Laughlin?—A. The manufacture of steel, bar steel, structural steel, cold-rolled shafting and fittings, spikes, and railroad specialties.

Q. Can you tell about what the amount of your business is per annum?—A. We

have a yearly capacity of about 750,000 tons of pig metal, and something less than that of finished material—say about 600,000 tons.

Q. About what would that represent from the money point of view?—A. The value of the output would depend on the price. During the last year I would say it would represent about $20,000,000.

Q. How long has this firm been in existence?—A. About 50 years.

Q. You are not incorporated?—A. We operate under the limited partnership law of Pennsylvania.

Q. Under this limited partnership law is there a fixed capitalization?—A. Yes.

Q. What is the capitalization of your company?—A. $20,000,000.

Q. (By Mr. PHILLIPS.) How long has it been capitalized at that?—A. I think something over a year ago it was recapitalized.

Q. What was the capital prior to that time?—A. The original capital established some 20 years ago was $5,000,000. That was at the time the company was changed from a partnership to a limited partnership.

SOURCE OF ORE SUPPLY—THE TARIFF ON ORE AND SCRAP STEEL.

Q. (By Mr. JENKS.) Where do you get the ores that you use in your manufacture?—A. From the Lake Superior district.

Q. Do you own your own mines there?—A. Yes.

Q. Can you tell about what proportion of the ore product of that region you yourselves control?—A. We use about a million and a quarter to a million and a half tons of ore per year; and I should say we had 20 to 25 or 30 years' supply, perhaps.

Q. Do you mine more than you need for your own use?—A. No.

Q. You are able to supply your own needs entirely?—A. We shall be from this time on, but we have not been able to do so until recently.

Q. From whom have you heretofore been purchasing the ore that you needed?—A. In the general market.

Q. You have made a recent purchase of ore mines?—A. Yes.

Q. Do you use any imported ores?—A. No.

Q. Do you know whether ores are imported to any considerable extent?—A. To some extent in the eastern part of Pennsylvania, near the seacoast, where the freight is not a factor.

Q. Where do the imported ores come from?—A. Principally from Cuba; some from Spain.

Q. Is there any tariff on ores?—A. Yes.

Q. In your judgment does that affect the importation?—A. I think it is hardly sufficient to affect the importation to any great extent.

Q. Do you know whether any scrap steel is imported?—A. Not at present, I believe.

Q. What is your opinion as to the effect of the tariff on scrap steel on its importation?—A. Without the tariff scrap might be used to a greater extent in tne eastern section of the country, but I believe the railroad freight to our section would prohibit it, anyway.

Q. Where do you get the scrap steel that you use?—A. As a rule we buy it in the local market from railroads and manufacturing establishments; but just at this time we supply ourselves with all the scrap steel we need.

Q. The suggestion has been made that if it were not for the tariff on ores and scrap steel the iron manufactories on the seacoast would be very greatly enlarged, so that those manufactories would be better able than now to supply the western coast and the South, and in that way the importation of iron and steel from England would be shut out. What is your opinion on that general question?—A. I think the taking off of the tariff on ore would not have much effect as far as supplying material generally to the United States.

Q. That is, in your opinion, even without the tariff foreign ore would be substantially as expensive as the American ore?—A. Of course it would not be as expensive by the amount of the duty, but I am really somewhat at a loss in answering that question, because I do not recall the duty. Can you tell me?

Q. It is $4 a ton on scrap steel and $0.40 a ton on ore.—A. That is what I thought. The tariff on ore is very small and would not make enough difference to enable the eastern manufacturer to go into the West.

Q. Do you think the removal of the tariff on ore would be likely to reduce the price of the Lake Superior ore?—A. No; I do not think it would.

Q. How does the price of Lake Superior ore at the present time compare with that of a year ago?—A. The price fixed this year on standard old range ores (which are regarded as the best grade of ore there) is $1.25 a ton less than it was last year.

Q. Are the Lake Superior ores controlled sufficiently by any one organization so that this organization substantially fixes the price for the country?—A. Well, the organization you refer to would necessarily have a great deal to do with fixing the price.

Q. The price they fix would substantially control the market, you think?—A. Yes.

Q. So the implication is that this $1.25 reduction is a reduction by the United States Steel Corporation?—A. That is the way it is regarded by iron men generally.

ORE MINES AS A BASIS OF CAPITALIZATION[1]—DURATION OF THE ORE SUPPLY.

Q. (By Mr. KENNEDY.) What proportion does the value of your ore in the mines bear to the capitalization of your company?—A. That is a pretty difficult question.

Q. Mr. Schwab stated that, in his opinion, the value of the ore in their mines was even greater than the capitalization of their company.[2] I want to know how you estimate yours?—A. In the first place we do not have such a large proportion of ore to our capital as the United States Steel Corporation. I would not like to say offhand what I regard as the proper proportion, because I want to answer the question intelligently.

Q. Can you say what value per ton you put on your unmined ore?—A. There are so many contingencies to change the price of the ore that it is hard to answer that question. I do not believe I could answer it intelligently.

Q. (By Mr. CLARKE.) In view of the limited supply of ore, and in view of the increasing demand for steel products, do you think there is likely to be an increasing value upon the ore?—A. My own opinion is that more ore will be found as it is needed.

Q. In that vicinity?—A. Perhaps not in that immediate vicinity, but possibly in Canada or some other available place. In other words, I believe the visible supply of ore is not all that we can expect in the future. As in the case of oil and gas, it is generally found when it is needed, and the higher priced it becomes, the greater effort is made to find it.

Q. (By Mr. JENKS.) You anticipate the discovery of more ores; I infer, then, that you think that one should not estimate the present value of the ore in the mine materially above its present selling price?—A. I would say, no.

Q. (By Mr. PHILLIPS.) Is it not more likely to become cheaper from year to year?—A. It is apt, in my opinion, to act very much as oil has.

Q. (By Mr. FARQUHAR.) From your knowledge and practical use of the Lake Superior ores would you say it is a necessity to bring in foreign ores as auxiliaries in the fluxing and manufacture, or have we in this country sufficient ores of different qualities without making use of foreign ores?—A. We have sufficient ores here in great abundance.

Q. Has there ever been an estimate, geological or otherwise, of the visible supply of ores in the Lake Superior region?—A. The researches of the individual firms up there, I understand, have demonstrated that up to this time the geological survey is quite accurate. They do not find a great deal of ore that is not down on the Government charts. But as I understand it, they have never gone below what is known as the green stone in the ore formation, until lately some ore has been found below that stone; so there is possibly a chance of finding ore deeper down than they have anticipated.

Q. You would say that for 80 or 100 years the Lake Superior district can supply ore for the steel manufacture of this country?—A. I should say so.

Q. (By Mr. PHILLIPS.) Have they made any discoveries of ore of a good quality in Canada?—A. To some limited extent; not to a large extent, I think.

Q. (By Mr. LITCHMAN.) Do you think that the ore in the Lake Superior district may be exhausted in 80 or 100 years?—A. I would not like to put that limit on it myself.

Q. Is that the generally accepted view?—A. I think it is rather felt that the ore will be found when needed.

Q. Of course the ore that is used exhausts the quantity?—A. Yes.

Q. If there is a limit to the time that the supply can be relied upon, in the natural order of things does not the value of the ore increase as the supply diminishes?—A. That would be true if no fresh supply was found.

Q. Then may it not be a fair basis of capitalization to take that fact into consideration?—A. I think it would to a fair extent.

Q. Provided it was not carried to an extreme?—A. Yes.

Q. (By Mr. FARQUHAR.) Is it not a fact that the geological estimates were made about 10 years ago covering the output at that time; and since then might not the greater demand shorten the life of the mines, independent of new discoveries?—A. Since that time the Messabi district has been discovered and an immense quantity of ore that was never known of before has been put on the market.

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[1] See pp. 457, 464, 467, 472–473, 514–515. [2] See p. 464.

SHIPMENT OF ORE—SUPPLY OF COAL.

Q. (By Mr. Jenks.) Do you have your own vessels for shipping ore, or do you hire vessels for that purpose?—A. We have an interest in a few vessels, but do not own them entirely. They bring only a limited part of our ore down.

Q. How do you ship the rest down—under long-time contracts with single firms, or do you hire ships here and there?—A. The custom has been in the past to make yearly contracts for the ore season.

Q. Have you been in the habit of making these contracts with some of the competing iron companies that own their own fleets, or with outside vessel owners?—A. Generally with outside vessel owners.

Q. (By Mr. Phillips.) Are there many of these independent owners since the organization of the United States Steel Corporation?—A. Yes; there is still considerable vessel tonnage outside of the United States Steel Corporation.

Q. (By Mr. Jenks.) Where do you get your supply of coal?—A. We get it up the Monongahela River, about the same distance as the Connellsville field is from Pittsburg. The place which is the source of supply is on the outskirts of the Connellsville region.

Q. (By Mr. Phillips.) Is it the same quality of coal as the Connellsville?—A. Well, it is coal which is abundantly suited for our purposes, although it is not regarded as being strictly Connellsville coal.

Q. (By Mr. Jenks.) Do you have your own coal mines there?—A. Yes.

Q. What is your estimate as to the supply as regards your future needs?—A. We certainly have 35 or 40 years' supply.

Q. So that you are substantially as well equipped with regard to coal as in the matter of ore?—A. Yes.

THE COURSE OF PRICES OF STEEL—MANUFACTURERS' AGREEMENTS UPON PRICES.

Q. Will you indicate what has been the course of prices of your product for some 5 or 6 years past?—A. The price generally has been extremely low during that time, and in many years has been quite unprofitable. In the early part of the year 1899 occurred one of the so-called booms, following the long period of depression and depreciation of stocks, and then the demand sprang up suddenly and we had quite an advance in price. During 1899 prices for bar steel went up to 2½ cents a pound. As an inevitable result when the reaction came about a year ago they went about as far the other way. They went down to below 1 cent a pound. So that the prices have been anything but uniform; and, really, under the best conditions it would require an average of 8 or 10 years to bring the manufacturer's profit to a point where he could live.

Q. During the period of depression before 1899 prices were so low that you considered the business scarcely profitable?—A. Yes.

Q. How do prices stand now as compared with 1897 or 1898?—A. Prices are probably $5 or $6 a ton higher now than then.

Q. During a considerable part of this period, and particularly in 1896, and also in the last year or two, statements have been frequently made in technical papers with regard to so-called pools among iron manufacturers with regard to maintaining agreements upon prices and output. Have you been associated with some of these pools?—A. Not to the extent of calling them pools. As far back as my recollection goes there has always been more or less consultation at different times between manufacturers regarding prices, but the market generally regulates that. Such understandings do not last if the market is not back of them.

Q. You say these understandings ought not to be termed pools, yet that is the name often given to them by the technical papers.—A. I would give them another name that the papers also give them, which is more nearly correct, and that is "gentlemen's agreements."

Q. What has been the general nature of such agreements?—A. Generally to maintain certain prices that would allow the manufacturer a profit.

Q. Have there been also at times agreements upon a division of territory?—A. Not to my knowledge.

Q. Or a limitation of the output?—A. No; not to my knowledge.

Q. Has there been a division of the output in the form of restricting different manufacturers to a certain percentage of the entire output?—A. That, I think, may have been true in rails, but not in our business. We are not in rails, you understand.

Q. It has never existed outside of rails, in your judgment?—A. No.

Q. (By Mr. Phillips.) Are not what you call gentlemen's agreements very often broken by some of the parties cutting prices?—A. Yes; and, as I say, they are entirely

subject to market conditions. They do not last unless the market conditions are in their favor. If prices are advancing, they stand, but if prices go the other way they do not last.

Q. (By Mr. JENKS.) In making these agreements, has it been customary to provide for a forfeit from one who breaks the agreement?—A. No; not so far as we are concerned.

Q. They are simply gentlemen's agreements—a matter of word only, with no forfeit?—A. Yes.

Q. (By Mr. FARQUHAR.) Where are the principal manufacturers of structural steel?—A. There are 6. These are the Carnegie Steel Company, the A. & P. Roberts Company, of Philadelphia, the Cambria Steel Company, the Phœnix Iron Company, the Passaic Rolling Mill Company, and there are also quite a number of others, who make some sizes but do not make a full line of structural steel.

Q. What was the cause of the scarcity in the supply of structural steel a year or two ago?—A. The consumption or the great demand was the only reason for it.

Q. Did that scarcity create any extra price for structural steel?—A. As I say, structural steel did not reach as high a point as the competitive material.

Q. So that even during the scarcity you were selling at almost the same rates as previously?—A. That is true, except that some manufacturers did ask a higher price for very prompt shipments.

Q. At the time of the "boom" in 1899 was the price of structural steel higher on account of the increased cost of raw material than it had been a year or so previously?—A. Yes; and on account of the demand.

Q. Previous to that were your prices for structural steel very close to the price of steel in competition?—A. Going back a great many years, I do not think they were. I think they were considerably higher than the competitive material; that is, material that everyone makes, like bars. If you go back 12 or 15 years, the price was considerably higher than for ordinary competitive material, but the cost is greater.

Q. Is there any difference in the price of your building structural steel and your bridge structural steel?—A. No.

EXPORTATION OF PRODUCTS—FOREIGN AND DOMESTIC PRICES.

Q. (By Mr. JENKS.) Do you export any of your products?—A. Not to any great extent.

Q. What is the special nature of the product that you have exported?—A. Generally some of our specialties in the more highly finished state, like cold-rolled shafting.

Q. How do your export prices compare with home prices?—A. I think they are somewhat lower, perhaps; but this you will understand is not done from choice, but for the reason that a manufacturer can not run his mill to the best advantage unless he runs full, and it is better that this surplus that can not be sold in this country should be sold a little cheaper, if necessary, to save the loss from limiting the output. But, as I say, we export so little that it does not cut any figure.

Q. You say, then, that you do not have any regular export business, but export only in times when you happen to have a little surplus beyond the demand here?—A. That is the idea.

Q. When you have exported in the last year or two, about what has been the difference between your foreign and domestic price?—A. I would say a dollar or two on the ton, and most of that is made up, I think, by the great cost of delivery to the foreign market, by ocean freights. In other words, if we sell abroad we have to meet the foreign price or we can not sell.

Q. Do you sell your product delivered free in London?—A. We generally sell delivered at the foreign port.

Q. How does the ocean freight compare with the freight from Pittsburg to the seaport?—A. Generally speaking, the ocean freights to ports in England is 1½ to 2 times the railroad freight from Pittsburg to the seaboard.

SHIPMENT OF PRODUCTS—FREIGHT RATES AS A FACTOR IN COMPETITION.

Q. In shipping to your customers in the United States do you have printed and sent to them a regular schedule of freight rates to all the different shipping ports in the United States?—A. No; we depend on the railroad tariffs for ours, although I believe some of the recent combinations have for convenience gotten up a book, which, however, is only made up of the railroad tariffs.

Q. Is it customary on the part of the different iron combinations that have mills in different localities to base all shipments on a single rate, as, perhaps, the Pittsburg rate?—A. When agreements are made, shipments must necessarily be delivered to

everybody on the same basis. Therefore some central point must be taken as a basis.

Q. Do you have more than a single establishment? Do you ship, for example, from different places or different establishments?—A. Only from one place. We have a single plant, located at Pittsburg.

Q. From the fact that you are shipping from one central point, do the freight charges limit your own market to a considerable extent?—A. That has not proven the case as yet. This last combination is of only recent date, and I would not care to say whether it would be a handicap in the future or not.

Q. Do you sell practically throughout the entire country?—A. Yes.

Q. You have not heretofore found it difficult to compete, for example, in the central West, with the Chicago establishments, which are nearer the market?—A. We have at times found it difficult to compete with them on account of our distance from the market and on account of the freight rates.

Q. Speaking generally, do you find an ample market for your entire output east of Chicago?—A. No; we could not sell our entire output east of Chicago.

Q. Can you tell about what percentage of your output ordinarily goes beyond Chicago?—A. I would say about one-third.

Q. Where are your chief competitors for that western market located?—A. In Chicago and Milwaukee.

Q. (By Mr. FARQUHAR.) Taking Pittsburg as the basic line, how are the shipments of your product divided?—A. We ship three-fourths west of Pittsburg and one-fourth east.

RELATIONS WITH EMPLOYEES—WAGES AND LABOR ORGANIZATIONS.

Q. (By Mr. JENKS.) Do you employ union or non-union labor in your plant?—A. I presume our mill is what might be called a non-union mill, although we have no quarrel with the theory of trade unionism; but we find it more desirable to treat directly with our own men.

Q. At the present time do you have men in your employ that belong to the Amalgamated Association of Iron and Steel Workers?—A. I could not answer that. We do not ask them whether they are union men or not.

Q. You have not been in the habit of dealing through union officers at all?—A. Not for some years; we did earlier.

Q. About when did you stop that policy?—A. Probably 3 years ago.

Q. What has been the general course of wages in your establishment for the last 5 or 6 years?—A. The average of wages has been increasing.

Q. Was there a decrease in the wages in your mill during the hard times of 1893-1895?—A. Yes.

Q. But they have been increasing since?—A. Yes.

Q. Do you know how the wages compare now with wages in 1891 and 1892?—A. They are considerably higher, but I could not give you detailed figures.

Q. (By Mr. LITCHMAN.) Are you familiar with the scale of wages of the Amalgamated Association?—A. I am not.

Q. Do you know from general information how your wages compare with the wages of that scale?—A. Generally speaking, I would say they were as high or higher; but you must understand that every mill has a special class of machinery, more or less modern, and it is not fair to compare one mill with another unless they are on the same basis as to tonnage and machinery.

Q. In speaking of the average wages being higher, you rather emphasized the word average. Is that because of the difference in estimating wages of the individual workingman in your mill as compared with those of other plants?—A. No. In old times, a comparatively few skilled men in the mill made a great deal of money, and the great majority of the men got comparatively small wages. Now, by the introduction of labor-saving machinery of various kinds, the wages are more generally distributed among all the men in the mill than formerly.

Q. (By Mr. JENKS.) At the time of this inequality in wages, when comparatively few men were getting high wages, were your men then working under the rules of the Amalgamated Association of Iron and Steel Workers?—A. Yes.

Q. Can you give some information as to the amount actually earned by the few who earned the highest wages in those days?—A. I could not give you any detailed information about that, but in a general way I would say that some few men in the old days made as high as $30 and $40 per day.

Q. At that time was it customary for these men who made as high wages as that to hire other men to do their work in part—to hire them at lower rates?—A. As a rule, a roller hired his crew and paid them out of his wages; but he still had a handsome residue left for himself.

Q. Did it ever go so far in your establishment that, in hiring his crew to help him, he practically hired another man to do his work, so that he did practically nothing himself?—A. I think it would hardly be fair to say that, although as a matter of fact a roller in those days did very little except see that the rolls were properly adjusted and that the iron came out of the proper size to gauge, and of course the most skill was required about the rolls.

Q. (By Mr. LITCHMAN.) What is the highest rate of wages paid in your establishment at the present time aside from the salary list?—A. I have not that data with me.[1]

Q. You of course employ no female help?—A. No.

Q. (By Mr. FARQUHAR.) Does this system of crews, each with its foreman, exist in the establishment now?—A. No.

Q. How long has that been abolished in the Pittsburg mills generally?—A. Three or 4 years, I would say.

Q. Would you care to state the reason why, 3 or 4 years ago, your firm refused to sign the amalgamated scale?—A. We had a disagreement with the association at that time.

Q. Was the disagreement in the matter of wages or over the manner of conducting the work?—A. It was a matter of wages.

Q. It was not owing to any interference by the labor organization with the manner of working your establishment?—A. No.

RESPECTIVE ADVANTAGES OF COMBINED AND OF INDIVIDUAL OWNERSHIP OF IRON AND STEEL PLANTS.

Q. (By Mr. JENKS.) In your judgment, is there opportunity for any material savings to be made through a combination of the iron and steel establishments?—A. Yes; considerable saving can be made.

Q. Will you kindly indicate the sources of saving that you think come from combination?—A. The plants combining would make a considerable saving by shipping the material from the mill nearest the market. Then I think a saving would be brought about by dispensing with a great many superintendents and by consolidating the clerical force of the different mills. A great many high-priced officers and superintendents are gotten rid of.

Q. You would consider those the two chief sources of saving?—A. Yes.

Q. You have spoken of the savings that a combination of different establishments can make in the superintending and in the clerical force. Do you think that you yourselves have any advantage, from your concentrated individual management, from being under the control of men that own your plant largely and who in consequence have a more direct personal interest in it than any salaried officer of a great corporation could have?—A. I would say that we have some advantage in that respect. There are always some compensating conditions in this world, I am glad to say.

POSSIBILITY OF COMPETING AGAINST A GREAT COMBINATION IN THE IRON AND STEEL INDUSTRY.

Q. (By Mr. KENNEDY.) Does a great combination in the iron and steel industry, like the United States Steel Corporation, weaken or strengthen the position of a smaller and independent manufacturing establishment like yours?—A. Any concern to compete with the United States Steel Corporation must of course own its raw material and have a mill well constituted and equipped with modern machinery. I would say that the large combination would have a rather bad effect on the small manufacturer who does not own his raw material. But I presume it will be no different now from what it has always been in the past. It will be the survival of the fittest.

Q. (By Mr. JENKS.) Will there perhaps be an advantage to the small manufacturer who does own his raw material in that the combination can set high prices which he can follow?—A. The point I want to make is that you must make a certain tonnage in order to get it out at the minimum price. In other words, a mill making a few hundred tons a day could not compete with a mill making as many thousand tons, because the general average of superintendence and everything else would be against the small mill.

Q. (By Mr. A. L. HARRIS.) If the combining mills are scattered over different sections of the country is there any economic advantage except what you have spoken of in regard to freight?—A. I think not.

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[1] The highest rate paid was stated later to be $20.50 per day; the lowest, $1.35 per day.

Q. If a mill is equipped with sufficient ore and other facilities for making the finished product, what advantages are there in increasing the capital beyond what would be needed for a maximum efficiency in production?—A. There would be no advantage in increasing the capital beyond enough to make possible a maximum production to get the best results. In other words, as I understand your question, a mill making 2,000 or 2,500 tons a day could manufacture as cheaply as a mill making 5,000 tons per day. Two thousand or 2,500 tons a day would be about the point where the minimum cost in manufacturing could be reached.

Q. (By Mr. PHILLIPS.) You would say there would be no advantage in the 5,000-ton mill?—A. That is my opinion.

Q. Or in one that would produce 10,000 or 100,000 tons per day?—A. No; I think not.

Q. So a somewhat limited amount of capital could go into the iron business and reach proper results in the manufacture?—A. If the raw material could be secured.

Q. What would you estimate the cost of ironworks of the best construction and capable of producing, say, 2,500 tons per day?—A. I would say $20,000,000 to $30,000,000.

Q. Have you anything further to state in regard to the effect of combinations upon the independent operators?—A. Well, I would say that independent or other operators can not expect to live, as against the United States Steel Corporation, if they are not fortified by abundant capital, do not own their raw material, and have mills and furnaces of the most modern description. There are quite a respectable number of such people in existence to-day, and I do not feel that there is any cause for alarm.

Q. Do you think that under these conditions a man with limited capital starting in a business, in the iron industry, for example, has the same opportunity he had some years ago? Does not the combination bar a very large per cent of persons from entering upon this industry?—A. Yes; persons with limited capital would be barred, I think.

Q. There is not the same opportunity to get on in the world as before, you think?—A. Well perhaps not in some lines, but I believe there may be more and better farmers after a while.

Q. (By Senator KYLE.) You do not think that competition has been materially interfered with in your industry by combinations of capital?—A. No. I think there is a minority outside that would prevent any unusual or extraordinary adherence to high prices.

Q. Even though people of small capital are barred from entering these enterprises, may not new organizations be formed?—A. I think so. People will put capital in other organizations instead of operating individually.

Q. (By Mr. FARQUHAR.) After the combinations in iron and steel were made a few years ago, for instance, the Federal and Republic, etc., did you find any difference at all in the conditions of competition?—A. We steadily progressed in the matter of output and capital, notwithstanding severe competition at times. I believe the present conditions resulting from the formation of the United States Steel Corporation will have a steadying effect on prices in the place of these extraordinary and harmful rises and falls in the market. I would almost hazard the prediction that the average of prices of iron in the next 10 years would not be much different from the average of the last 10 years, but there will not be as many fluctuations.

Q. It has been stated that the combinations made in iron and steel a few years ago were dangerous to all the smaller manufacturers. Now we have a combination including over a billion dollars of capitalization. As a business proposition does it matter to you whether that capital is 1 billion or 5 billions?—A. No.

Q. As an independent operator you feel perfectly sure that you can compete at the market rate, whatever it may be?—A. We feel so.

Q. (By Mr. PHILLIPS.) But that is only the case by reason of your having your raw material?—A. Certainly.

Q. (By Mr. FARQUHAR.) In case prices were cut by the United States Steel Corporation, would their losses be as great proportionately to their capital as yours?—A. I should say so.

Q. (By Mr. LITCHMAN.) What do you consider a necessary amount of capital to enable a person to go into the iron business at the present time?—A. I have already said 20 to 30 millions would be required.

Q. If that amount of capital was available, do you think there would be any trouble about such a plant being able to do business?—A. Necessarily they would have to secure a supply of ore first. I do not know that they could secure that immediately, but I believe it could be secured.

Q. Then if the ore and the amount of capital you suggest could be obtained, business could be done?—A. Yes.

Q. And that in spite of the formation of the billion-dollar trust?—A. Yes.

Q. Then it does not necessarily follow that that combination prevents people from doing business if the necessary amount of capital can be obtained?—A. No.

ADVANTAGES POSSESSED BY UNITED STATES STEEL CORPORATION IN OWNERSHIP OF CERTAIN COAL FIELDS AND RAILROADS.

Q. (By Mr. PHILLIPS.) It has been stated here that the United States Steel Corporation practically controls the whole Connellsville coal field. Would they not have an advantage there to some extent?—A. They would perhaps have an advantage in the coal of the Pittsburg field, but there are other fields of coal in West Virginia and other places that are equally as good as Connellsville. Pocahontas coal is recognized as one of the best coals in the world.

Q. For coking purposes?—A. Yes.

Q. (By Mr. KENNEDY.) You said that in the event of a cut in price by the United States Steel Corporation, which you would have to follow, their losses proportionate to their capital would be as great as yours. In view of the very large amount of water in their stock, would not their losses be greater than yours?—A. Well, I think that is open to debate. I do not like to state that as a hard and fast proposition, because, of course, they have a great many advantages that the ordinary maker does not have, as in the way of railroads; but I think, as a general proposition, that statement of yours is right.

Q. (By Mr. PHILLIPS.) What advantage do they have in the way of railroads?—A. They own their roads in the ore country; up in the Lake Superior district they own them absolutely. Then the Carnegie Steel Company owns a road from Lake Erie to Pittsburg, about 140 miles long, over which they bring their ore from the lower lake ports to their furnaces.

Q. How does this ownership assist them?—A. It assists them in making the profit on carrying the ore, which all the railroads make. They have that much advantage over the manufacturer that does not own his railroad.

Q. Do they have an advantage in the sending of freight over the roads that they do not own themselves?—A. No; I did not say that. Their particular advantage is in the profit they make out of their own road, and of course it is immaterial whether you count that profit as a railroad profit or as profit on a ton of steel.

QUESTION OF THE POSSIBILITY AND DESIRABILITY OF MANUFACTURING STEEL IN NEW ENGLAND.

Q. (By Mr. CLARKE.) I would like to ask some questions as to the possibility of manufacturing steel in New England.—A. It has been tried in the past.

Q. If the duties were repealed on iron ore, scrap iron and steel, and bituminous coal, could not the owners of those raw materials on the coast of Nova Scotia set up works like yours on the New England coast, and successfully compete with you?—A. They could if our Government were to give a bounty of $2 a ton, as the Canadian government does; but not otherwise.

Q. They would have the raw material in their own hands?—A. Yes.

Q. They would have easy, ample, and cheap transportation?—A. Much would depend on that.

Q. Why, then, could they not produce as cheaply in New England as at Pittsburg?—A. In the first place they have no Bessemer ores there, and so they could not make Bessemer steel; they might make open hearth to a certain extent.

Q. Could they not use Cuban ores there if the duties were repealed, and those would take the place of such ores as you now use?—A. I think the next trouble would be in the coke. I do not think that the Nova Scotia coke or any foreign coke would make the metal. It is too high in phosphorus and sulphur.

Q. If the duties on iron ore amount to practically nothing, so far as interfering with its use by our manufacturers is concerned, why could not those duties be safely repealed so that ore could be gathered from any quarter of the world where it might be found and cheaply transported to any part of our coast?—A. I do not believe that the import duty should be repealed or even reduced, because while at the present time in many cases it would seem to me a dead letter, I believe the time will come when it will be just as necessary as it has been in the past to protect the American manufacturer and the worker.

Q. What reason is there for anticipating the coming of any such event?—A. Because it has always been my experience that the only way to judge the future is by the past.

Q. You ship only about a quarter of your products east of Pittsburg. It would not be a very serious interference with your business, then, if somewhat formidable competition in that limited field should arise on the Atlantic coast?—A. If we were a quarter short of our product we would feel that we were in very bad shape, because we must run full if we are to run economically.

Q. There are many large establishments in New England that manufacture machinery, which employ vast quantities of iron and steel. Would it not be to their advantage to have works nearer to them than yours supply their material?—A. They have thriven abundantly in the past, and I think they will continue to do so under the same conditions.

Q. There is a feeling among some people that proximity to the ocean is a natural advantage, and that people in such a section of the country have a right to be excepted from the general policy of the country in regard to a tariff, if it would be to their local advantage to draw supplies from foreign countries.—A. I think the prosperity of the whole people ought to be taken into consideration. In other words—the greatest good to the greatest number.

Q. Is it your opinion, then, that the economic policy of the country does not operate to give special advantages or disadvantages to localities, but diffuses itself, like the atmosphere, upon all, so that in one way and another conditions are practically equalized?—A. I think there is a compensation that does practically even things up. If a manufacturer in New England pays freight on his finished bar steel with which to make a machine, he usually sells his manufactured product right at home, where he is not at any disadvantage in the matter of freight.

Q. Some of our cotton machinery manufacturers are selling a large part of their product in the southern states at the present time?—A. I believe they are.

Q. Freight is a considerable item on that, is it not?—A. Yes; they manage to sell them, though.

Q. (By Mr. Litchman.) As a general proposition, your idea is that it is better to leave the tariff alone?—A. I think, as a precautionary measure, it had better be left alone.

Q. Do you think that industries in this country would be benefited at this time by a tariff agitation?—A. I think not; I think they would be injured.

(Testimony closed.)

Washington, D. C., *May 18, 1901.*

TESTIMONY OF MR. E. O. HOPKINS,

President Sloss-Sheffield Iron and Steel Company.

The commission being in session, Mr. E. O. Hopkins was introduced as a witness at 12.08 p. m., and, being duly sworn, testified as follows:

PERSONAL STATEMENT OF WITNESS.

Q. (By Mr. Phillips.) Will you please give your name, address, and official position?—A. E. O. Hopkins; Birmingham, Ala.; president of the Sloss-Sheffield Steel and Iron Company.

Q. (By Mr. Jenks.) I understand you have prepared a brief statement. Will you present that first?—A. I have prepared a brief statement to read, and more particularly so because I have very recently gone into the iron business. I was a railroad man until I moved to Birmingham last November. I had been receiver of the Peoria, Decatur and Evansville Railroad, and advisory receiver of the Louisville, Evansville and St. Louis Railroad. I have no technical knowledge of the iron business, but I have men working for me that do have, and I am in daily consultation with them. I am simply the executive head of the company, and am learning the business as fast as I can, and trying, if possible, to improve it. I noticed the course of your examination and the points you wish to touch upon, and I thought by presenting a short report that it might be better than answering the questions. (Reading.)

PRODUCTION OF COAL AND IRON DURING RECENT YEARS IN ALABAMA.

The present condition and development of both coal and iron can best be shown by comparison of output in the state for the past 5 years. Development has been and continues to be rapid, as shown below:

Output, by years.

	Coal.	Coke.	Pig iron.
1896	5,747,698	1,689,307	922,170
1897	5,893,771	1,395,352	923,895
1898	6,416,741	1,609,839	1,026,559
1899	7,484,773	1,798,612	1,083,905
1900	8,504,327	1,992,561	1,155,583

The above shows a gradual and healthy increase, more marked in coal than in coke and pig iron. The coal, as you know, is being used in those industries of the South which are now organizing—cotton mills, foundries, and the other industries, which are to-day making Birmingham a great industrial center without regard to its iron industry. The presence of these other industries is a very good thing for the city, because when the iron industry is dull the town will not go to pieces. I believe now that the country is in such shape that even if there should be a dull time in the iron trade, the South itself could go on with its material development. It is not so dependent as it was on iron and cotton. I should say this year we will produce 1,250,000 tons of iron, and perhaps more.

RELATIONS EXISTING BETWEEN THE SLOSS-SHEFFIELD IRON AND STEEL COMPANY AND ITS EMPLOYEES—WAGES PAID.

The condition of the laborers in the industry has been very satisfactory, especially since 1894. There has been an increase in wages and no labor troubles of a serious nature. The only workers in our employ affected on a uniform sliding scale are the coal miners. We recognize the union and we recognize the other fellow. We hire everybody who wants to work and make no restrictions against the union. We deal with organized labor—I deal with them every month.

Q. (By Mr. Clarke.) You deal with a committee?—A. With a committee of 2 white men and a colored brother. He is not expected to say much, but he is on the committee. During the past 4 years the following have been the average prices paid per ton for cutting coal. We are now paying 55 cents. The table, you will observe, shows a steady advance:

Price paid per ton for cutting coal.

1897	$0.3854	1899	$0.4937
1898	.3896	1900	.5375

Every 2½ cents advance to miners, of course, gives drivers, men driving entries, coke men, and day labor an advance. All have been advanced about 33⅓ per cent. It is now 55 cents for cutting coal, and a good white miner that will work can take out about 6 tons of coal per day, and he will make $3.30 if he does it. The only trouble is with our labor. The colored laborer does not make much more money now than he did when we gave 37 cents per ton. He needs only a small amount of money. He lives in the company's house, buys his provisions from the commissary, and is generally the company's man. When he dies he is buried in the company's cemetery. He has a pretty good time, because he does not permit himself to be worried much, and if he can make 55 cents a ton cutting coal he does not care to work more than 4 days in the week. That is the trouble, and while there is nothing to be said against these men (they behave themselves), they are not ambitious and do not have savings accounts, and while the new wage scale is helpful to the white miner, I do not know as it does the colored miner much good.

Q. (By Mr. Phillips.) Is that true of all the colored people?—A. No; but of the majority.

Q. (By Mr. Farquhar.) Have you any foreigners, or are the white men that you employ native labor?—A. There are Scotchmen and Englishmen, and some other foreigners.

COMPANY STORES.

Q. (By Mr. Phillips.) Do the miners deal with company stores?—A. They deal where they please; we have company stores where they can have credit for all the money they have in the office. Many of them are in need of credit and deal with the company's store, but it is not compulsory.

Q. The majority of their goods are bought at the company store?—A. They prefer to deal with the company; they get better goods and at less prices than from the smaller stores.

Q. (By Mr. Jenks.) You pay cash when they want it?—A. We pay them monthly, but allow them to trade at the store as soon as they have money in the office.

Q. (By Mr. Kennedy.) Are the stores run for profit or for the accommodation of the employee?—A. Both. The stores do not make any great amount of money. I think the men would have to pay more in these isolated districts if the company did not have the stores. (Reading.)

ADVANTAGES OF LARGE SCALE PRODUCTION—THE SLOSS-SHEFFIELD COMPANY.

The apparent influence of the larger combinations upon the industry is beneficial. How long this will last is problematical. Considering the obligations to be met by the large combinations, their endeavor will be more than ever to maintain prices. However, as everything at last comes down to a question of supply and demand, the final effect can not yet be determined. As stated above, thus far it has been beneficial.

I do not regard the Sloss Company as either a combination or a trust. It is simply the old Sloss Company with 3 furnaces in northern Alabama added to it. They were bought from private individuals, one being bought from Philadelphia people, one from Mrs. Ensley, the wife of Colonel Ensley, who is dead, and another from English people. These furnaces had been idle for 4 or 5 years, likewise the ore mines that depended on them, the coal mines, and in fact the whole town of Sheffield. A hotel in the town that cost $150,000 was bringing a rent of only $100 a month, although it has 5 or 6 big stores under it. But happily that situation is changing, now that we are putting the furnaces in blast. Rents are advancing, wages are going up, and everybody connected with the town from the minister down is getting a better salary. Everybody is happy under the present conditions, and I can not see that there has been anybody about Sheffield and Florence who has not been very largely benefited.

Another advantage would be that if you have 6 or 7 furnaces, you can pay a man, say, $6,000 a year; if you have 1 furnace, you would have to hire a cheap man. With this same man that you would hire for $6,000, you could have foundrymen to look after the separate furnaces, and you would have the benefit of his experience.

The advantages thus far clearly overbalance the disadvantages. For that matter, the latter have not as yet developed. The advantages derived are due to a considerable extent to the ability of one management to handle at a reduced expense a larger output. The advantage to the district is even more marked, since properties which have been idle for years are now practically rebuilt and again placed in operation. This is especially the case with regard to furnaces, the capacity of the company for pig-iron production having been doubled by the acquisition of the additional furnaces at Sheffield and Florence. This rebuilding of furnaces, reopening of ore mines and quarries, with the construction of coke ovens, purchase of additional property, etc., has entailed an outlay of more than $1,000,000.

SUPPLY OF RAW MATERIALS READILY ACCESSIBLE TO THE SLOSS-SHEFFIELD COMPANY.

As to our natural resources, we have practically an inexhaustible amount of coal, ore, and limestone, all within a radius of 25 miles of our Birmingham furnaces, and the same is true as to brown ore and limestone at the Sheffield and Florence furnaces. These materials are all eminently fitted for the manufacture of pig iron, either for foundry or for basic steel. All of the coals are bituminous or semi-bituminous, the latter being used strictly for steam and domestic purposes, the former for steam and coking.

ORES.

The ores consist of hard red ore, soft red ore, and brown ore. A general average of the hard red ores shows:

	Per cent.
Metallic iron	38.00
Silica	13.50
Carb-lime	26.20

The soft red ores are as a general thing the outcroppings of the ores which under heavy cover become hard. These ores vary greatly, some which we worked being as low as 35 per cent metallic iron, while others run to 50 or 54 per cent.

The brown ores or limonites, properly washed, should show about 50 per cent metallic iron, 10 per cent silica, 0.5 per cent phosphorus.

COAL.

Three coal fields, Warrior, Cahaba, and Coosa. Warrior, over 7,500 square miles; estimated tonnage, 37,000,000,000. Cahaba, 400 square miles; estimated tonnage, 4,000,000,000. Coosa, 345 square miles; estimated tonnage, 600,000,000. This supply will permit of a larger output than now for 1,000 years.

Average analysis of coals.

	Warrior.	Cahaba.	Coosa.
	Per cent.	*Per cent.*	*Per cent.*
Moisture	1.02	1.68	1.43
Volatile matter	31.85	34.13	32.21
Fixed carbon	63.82	60.16	60.85
Ash	3.31	4.03	4.41
Sulphur	0.70	0.56	1.10

Average analysis of coke.

	Per cent.		Per cent.
Volatile matter	0.90	Ash	11.60
Fixed carbon	87.50	Sulphur	.50 to 1.60

As a general thing the coal is screened, the slack being coked and the lump sold for steam purposes.

COKE.

Q. (By Mr. FARQUHAR.) In the matter of coking coal, are you free from sulphur and phosphorus?—A. No; they are now commencing to make coke out of a big seam which is about 7 feet thick—the Pratt seam, you have heard so much about. This was used in the beginning of the early making of iron in the South because it would coke. That was thought to be the only coal that would coke; but big seam coal vein is 7 feet thick, and they are now sending coke to Mexico and California; and they are now getting the sulphur down to one-half of 1 per cent, so it is my judgment that coal will be used practically altogether in the near future, and will take the place of the Virginia coke that is being brought to that field. It is pretty expensive to bring Virginia coke to Birmingham, Florence, and Sheffield. We now have a coal that will make a coke—as good coke as the Virginia coke. It is a little high in ash, but that is not objectionable because it bears up the burden of the iron ore.

Q. At the beginning of your iron industry, you say you used the Virginia coke. Did you use the Connellsville?—A. I do not know; I have gone there so recently. We are making our own coke there altogether now.

Q. It is a question then of finding veins that will coke best?—A. Lowest in sulphur; yes.

CAPITALIZATION OF THE SLOSS-SHEFFIELD COMPANY.

Q. (By Mr. JENKS.) What is the capitalization of the Sloss-Sheffield Company?—A. The Sloss-Sheffield Company—as far as its bonded debt is concerned—is the same as the old Sloss. They did not put on any extra fixed charge. They have an authorized capitalization of $20,000,000, of which $10,000,000 is preferred and $10,000,000 common. They have issued $6,700,000 of preferred and $7,500,000 of common. The rest of the stock, I imagine, will not be issued unless the determination is reached to put up a steel plant. We have no steel plant.

CHARACTER AND EXTENT OF THE SLOSS-SHEFFIELD COMPANY'S OPERATIONS—CHARACTER OF ITS DEPOSITS OF RAW MATERIALS.

Q. What is your product?—A. Pig iron, foundry iron, forge iron.

Q. What does the Sloss-Sheffield Company own in the way of mines?—A. You mean the lands it owns? There are a good many mines. It owns 64,000 acres of coal and 48,000 acres of ore lands.

Q. Has any estimate been made with reference to the extent of the probable output of ore that you yourselves own?—A. The so-called backbone of the Birmingham district, which is a vein of red ore about 14 feet thick and dips—nobody knows how far down nor how much there is of it—we regard as inexhaustible.

Q. You think you yourselves own enough to meet your own needs for an indefinite period?—A. I had a man make a calculation once, and he said 300 years, but he did not know anything about how far the ore went down.

Q. You are so situated as regards the ownership of both coal and ore that you feel you are entirely independent of all other companies as regards your supply of raw material?—A. We are at this time from any commercial standpoint, and if we were not, we could buy coal lands and undeveloped ore lands.

Q. Do you sell any ore?—A. Very little.

Q. (By Mr. PHILLIPS.) How about your deposit of limestone in that section?—A. It is inexhaustible. It is situated right next to one of our Birmingham furnaces, so that we do not pay any freight; we bring it over with our own switch engine.

Q. (By Mr. FARQUHAR.) Are the ores in the Birmingham district of a quality to enable you to take up all styles of steel manufacture, or do you need some other ore as a mixer?—A. That has been a much mooted question, but it certainly does make good steel, because the Tennessee Coal and Iron Company are making very fine steel and exporting it; and before they went into the business they shipped thousands and thousands of tons of high-class iron to Pittsburg. As I once heard said, if you can make soup out of a Birmingham turnip in Pittsburg you can make soup out of it in Birmingham. I do not think there is any question about the making of steel. Within 90 days the Tennessee company will be rolling steel rails. They have a very fine-looking plant. I do not know much about it; only what I see.

Q. (By Mr. JENKS.) Where do you sell your products mostly?—A. We sell to foundries exclusively. We sell mostly north of the Ohio River, because most of the foundries are situated there. As the South develops we will have a more ready sale for iron.

COMPETITORS OF THE SLOSS-SHEFFIELD COMPANY.

Q. With what other concerns do you come into competition?—A. There are, I should think, about 10 makers of pig iron in Alabama.

Q. You come into competition with them, of course? Do you also come into competition with the Pittsburg manufacturers of iron?—A. Yes.

Q. What companies particularly?—A. Those situated in the valleys of Chenango and in the valleys of Ohio and Pennsylvania.

Q. You find your cost of manufacture low enough in Birmingham to enable you to pay freight and ship into the Pennsylvania district?—A. It has been so in the past. Just at present we are not selling much iron there, but that depends, of course, on the price they are willing to take for their iron, and it depends on what Chicago, St. Louis, and Indianapolis are willing to pay for iron. Iron is a strange commodity. My brief experience is that it is always either going up or down.

Q. (By Mr. PHILLIPS.) Has the United States Steel Corporation any furnaces or plants of any kind in the South?—A. No.

Q. None south of the Ohio River?—A. None that I know of.

Q. (By Mr. KENNEDY.) I would like to ask if the United States Steel Corporation is making any attempt at ownership in that part of the country?—A. I wish I knew. Of course I do not know, and no one else would be permitted to know.

Q. Mr. Schwab testifies that their supply of ore in the Lake Superior district will run out in 60 years, and you say yours will last 1,000. They might want to get possession in that field?—A. Ours may not last that long. I was talking about the coal—at the present rate of consumption of coal.

THE MANUFACTURE OF IRON AND STEEL PRODUCTS IN THE SOUTH.

Q. (By Mr. HARRIS.) Is there any disposition on the part of capital to build mills and finish the iron-ore product?—A. Yes. They go into such things as cotton ties, which the South uses. I heard the president of the Richmond Locomotive Works say the steel they got from Birmingham was as good as any ever furnished them.

Q. Are you making any structural ironwork?—A. We are not.

Q. I am speaking of your region.—A. Yes; they are going into that too. At Atlanta and various other places they are making house fronts and stoves. There is a very successful stove concern at Sheffield, and they are putting them all through the South. It would not take a great many industries in the South to use up the million tons that Alabama makes. This steel mill of the Tennessee Coal and Iron Company will alone use 700 tons of its own iron, and they make 1,000 tons a day. A few industries of that kind would eat up the iron that is now being produced in the South.

HIGHLY CAPITALIZED COMBINATIONS TEND TO PREVENT RUINOUS COMPETITION.

Q. (By Mr. Jenks.) You speak of the advantages of combinations, and then you add that owing to the obligations that they have to meet you think they can be competed with fairly. What obligations did you have in mind?—A. I had particularly in mind the capitalization. They have to maintain prices and dare not go into ruinous competition.

Q. In your judgment some of these larger combinations are rather overcapitalized?—A. I do not know as that would be true. I do believe they would prevent ruinous competition, and I believe combinations that can prevent ruinous competition are the best for the country, because whenever we have ruinous competition the evil goes right back to the laborer.

Q. (By Mr. Kennedy.) Does it go back to the laborer's wages to a greater extent than to the profits of the investor?—A. It affects them both. As I once heard President Harrison say, "Your employer has an umbrella and he can get along through the rain, but when the times are hard you have to go out in the wet." I think capital could stand it better than labor.

Q. In such times the first effort of the industry to save its profits is by reducing the wages of labor?—A. I think that finally it gets down where there is no profit. Pig iron sold in Alabama for practically $6, most of the concerns were bankrupted, and of course there was not any profit for the two or three that got through. Three of these bankrupted concerns were furnaces the Sloss Company bought that had not been in operation for 4 years.

EXPORT BUSINESS OF THE SLOSS-SHEFFIELD COMPANY—PREFERENTIAL EXPORT PRICES.

Q. (By Mr. Phillips.) Do you export any?—A. Forty thousand tons in 1900. We are not shipping any now because they are making iron in Middleboro for less than $9.

Q. That is the largest export you have had in any one year?—A. No; we exported 56,927 tons in 1898. It was just at the beginning of the awakening of the demand all over the world, and we were making iron cheaply because labor had not received any advance; and, although the prices were not as high over there, we did not have any market in this country at all, hardly, and we shipped abroad.

Our export business started in 1894 and our records show the following shipments:

Year.	Tons.
1894	100
1895	101
1896	26,250
1897	45,866
1898	56,927
1899	26,600
1900	40,350

There have been very few export shipments by anyone this year. The total exports from the Birmingham district in 1899 amounted to 167,003 tons of pig iron and 11,742 tons of pipe.

Q. From what ports do you ship?—A. From Mobile, New Orleans, and, I think, the Atlantic ports. We have the advantage in freight rates over Pittsburg in the inland freight, although I doubt if we can obtain from the South Atlantic ports any lower ocean rates than are obtainable from Norfolk. The following inland rates are now in effect for export shipments:

Pensacola and Mobile	$1.00
New Orleans	1.40
South Atlantic ports, including Charleston, Beaufort, Savannah, and Brunswick	1.25

Under ordinary conditions we should be able to get a through export rate from Birmingham to Liverpool of $3 to $3.25, and to the principal points on the continent of Europe, such as Hamburg, Rotterdam, Antwerp, Genoa, and Trieste, $3.25 to $3.75 per ton.

Q. (By Mr. Jenks.) In your exportations how do the prices at which you sell abroad compare with prices here?—A. Pretty nearly the same as far as we are concerned, because we made one sale of 25,000 tons to a gentleman from Glasgow. I do not think he fared so well, but we got a pretty good price.

Q. Substantially the rate here?—A. Yes; and higher than the average price for the year.

Q. Is it your experience that as a rule in the export business you are able to get as good prices for the export iron as for that sold at home?—A. It has been so with us up to now, but I do not think that would be the best policy in the future. I think it would be wise for the American makers to figure on freights, and, rather than shut down any of the mills here, let the English and Germans have it at a better price. I can not see but what conditions with us are very satisfactory and, it seems to me, they must be unsatisfactory to them.

Q. (By Mr. A. L. HARRIS.) You would sell at a lower price to the foreign than to the American consumer, in order to hold the market when you once had it, would you?—A. If I had a surplus of iron, I would sell at a fair profit. I would not sell at a price that did not net me a fair profit.

Q. Is not that what you would say about all your markets?—A. Well, what would constitute a fair profit would depend pretty generally on the supply and demand. I hear a good deal about combines and trusts and of the railroads paying too much for steel rails; but if you ask the man who is complaining you will find that he is probably not injured by the railroads paying a good price for steel rails, and even if he owns stock in a railroad he does not feel it. Certainly everybody in the country is more prosperous when the price of steel rails is $26 than when it is $14 or $16.

UNFAIR PROFITS IN THE IRON AND STEEL BUSINESS PREVENTED BY COMPETITION.

Q. Are there any unfair profits in iron and steel at the present time?—A. I should think supply and demand and competition would regulate that. I think a man can not get too much profit, because in the end it will bring about competition. I believe when you can not depend on that, you can not put any dependence in anything.

Q. You mean a moderate profit to hold the market?—A. I mean if the profits become too high there will be competition that will reduce them to a fair amount.

THE FIXING OF PRICES IN THE IRON AND STEEL INDUSTRY.

Q. (By Mr. JENKS.) I understood you to say a few moments ago that at a time when the Pittsburg manufacturers were able to get a pretty high price for iron in the Pennsylvania district you were able to ship iron there?—A. Yes.

Q. Has it been the experience of your company during the last 2 or 3 years, since the formation of these larger combinations, that you could practically let them fix the prices, and by following their prices make better profits than by attempting to act against them?—A. I do not know whether the good times have caused the combinations or the combinations have caused the good times. I think it is a little of both. I think sentiment has much to do with good times, and sentiment produces these combinations; and I think anything that will hurt these combinations will be harmful to the people. I have no prejudice about it one way or the other. That is my honest opinion about it.

Q. As regards the smaller establishments, like your own, in comparison with the very large combinations, such as the Federal Steel Company and the United States Steel Company, and especially the United States Steel Corporation, would you think, in the main, that owing to their size they could fix the market price, which you would be practically compelled to follow?—A. No; I do not know as they could.[1] Of course they use a great deal of ore and buy ore from other people. Now, as long as people thought the price was to be $5 a ton, we were shipping pig iron very freely up into that district, even with the added freight against us. I think it was a surprise to everybody that they consented to have the price made $4.25 a ton. That permitted the other independent furnaces in the valleys to go ahead and make money by making their iron a little cheaper. So they are the ones that are competing with us, not the big concerns.

Q. Will ore at $4.25 practically shut you out?—A. No; but we can ship to other places at a better profit.

Q. (By Mr. PHILLIPS.) What is the difference in the market value of your pig iron and that of the Mahoning and Chenango Valleys and Pittsburg?—A. About $3 a ton.

PROBABLE EFFECTS OF AN ABSORPTION OF SOUTHERN IRON AND COAL COMPANIES BY THE UNITED STATES STEEL CORPORATION.

Q. (By Mr. KENNEDY.) I want to ask you, if the Tennessee Coal and Iron Company and the Sloss-Sheffield Company were to be absorbed by the United States Steel Corporation, whether the coal and iron industry of the South and of the coun-

[1] See p. 465.

try would be benefited or not, in your opinion?—A. That would depend entirely on the policy of the company after they had acquired these properties. If they put in new and improved machinery, with larger and stronger furnaces, and generally conducted the business after the fashion of Mr. Carnegie (which is much better, because of the great amount of wealth he has, than anything we have ever been able to do in the South) it would increase the output, would employ more labor, and would benefit the South. If, on the contrary, they closed up the furnaces, it would not be a benefit. My judgment would be, if they were to put a lot of money into the South, they would do it for the purpose of building up and not tearing down. You see the South is making wonderful strides. If a man will go over the southern railroads, as I frequently do, and look out and see the acres and acres of new houses and cotton mills and improvements generally, he will see there is room for a big southern iron development as well as northern iron development. I would not be afraid of capital going into the South. I am a northern man myself, and I believe if a great amount of capital were sent into the South it would benefit the South. The South is welcoming it, and generally the greatest kind of prosperity is being brought about.

Q. Your competition with the United States Steel Corporation is not such that it would be an inducement to them to buy up your plants and blight the industry in the South, is it?—A. I do not say they would blight the industry in the South. I do not think they would, but I really do not know. I probably ought not to have gone so far into the subject. I do not know that the United States Steel Corporation has any intention of buying up those companies.

Q. I was going on the hypothesis or supposition that they might do it.—A. Yes.

Q. (By Mr. A. L. Harris.) You think the United States Steel Corporation is reaching out to control the iron industry of this country?—A. It seems to me they have reached out. Whether they are going to reach out farther I am not informed.

Q. (By Mr. Jenks.) In your judgment, is the cost of manufacturing iron and steel in the Birmingham district, owing to the proximity of coal, ore, limestone, etc., cheaper than in Pittsburg?—A. We have the cheapest iron of any place in the world.

Q. So, under those circumstances, as long as you maintain your independent existence there is practically no possibility of your being crushed out by competition?—A. As I said before, if anybody undertakes anything of that kind they must do it like the Standard Oil Company, by going into all branches of the business and so cheapening it that a new man can not go into it. So long as there are profits there will be competition.

Q. (By Mr. Phillips.) Do you think that the Standard Oil Company cheapened oil, or was the reduction due to the new discoveries of petroleum or to natural physical conditions?—A. I do not know as anybody makes money in the oil business outside of the Standard Oil Company, but I do not hear anybody complain about the price of oil. We use a little oil at our house, and I never hear my wife mention the price of oil. I think it is cheap enough.

VARIATIONS IN THE PRICE AND KINDS OF ORES—THEIR VALUE IN THE GROUND.[1]

Q. (By Mr. Jenks.) In your own plant you are in the habit of varying the price of ores in accordance with the general ore price in the market?—A. We have not got around to that; but we figure that that is the price that the iron costs each month. We of course know what our ore does cost and we put a pretty high value on it. It used to be that a man said that ore was worth in the ground 10 cents a ton, but there is an adjustment going on now on the basis of 25 cents a ton.

Q. That was what I wanted to get at.—A. I have known of a litigation where the court determined upon 10 cents a ton, but I have also known of cases where they were demanding 25 cents a ton. There is no question but that a man owning a good brown-ore mine and operating it himself, can produce his brown ore and get ti to his furnace at probably 50 cents a ton less than he could if some one else owned the mine.

Q. Would 25 cents a ton be a sufficiently high price for an ordinary going concern to reckon as the value of its ore in the ground?—A. That would depend very largely on the circumstances. It would depend on what ore they were using and how rapidly they were using it. If they were to use 100 tons a month it would not be very much; but if they were using 1,000,000 tons a month and there was an end of it in sight it would be very valuable.

Q. I was speaking of the value——A. (Interrupting.) I think I know what is in your mind—about Mr. Schwab's statement. You see that runs about 65 per cent and he says there is a limited supply, and I have heard there is a limited supply, and we know there is no other 65 per cent ore in the United States. There is none in the South. The highest in the South is 54 per cent. The backbone of our district is the red ore, and that runs 36 per cent, so that naturally the ore Mr. Schwab talks

[1] See pp. 457, 464, 467, 472–473, 500.

about is very much more valuable than the ore we have—and have in such great quantities. We have not a great quantity of brown ore. You see if a man has a furnace which is operating fairly well on low grade ore, it is probably necessary for him to put 5 tons of material in the top of the furnace to get 1 ton out from the bottom; whereas if he is putting in 65 per cent ore it is very valuable, he gets it out very quickly, and makes a higher grade of iron.

Q. You have known even in your district of cases where the ore in the ground has been reckoned as high as 25 cents?—A. I know of a trade going on now on the basis of 25 cents a ton where the people can not agree as to the division of the property.

Q. (By Mr. KENNEDY.) I would like to ask you something about the grades of iron ore. I would like to have you tell us about the different grades of iron that you make and what uses some of them are put to.—A. We are simply in the foundry, pig-iron business, and these irons are of 11 different brands—1 and 2, silvery; 1, 2, 3, and 4, foundry; 1 and 2, soft, and gray, forged, mottled, and white iron—that is the lowest, but they vary in prices on the schedule of March 25 from $12.50 down to $9.75.

Q. I should like to have your opinion as to the statement of Mr. Schwab that the value of their unmined ore exceeds the capitalization of the United States Steel Corporation.—A. I really do not know anything about how much ore they have up there, and therefore I can not answer your question. When I was speaking to you a moment ago we were talking about the red ore, the 38 per cent ore of Alabama and Tennessee, and I said no one had made an estimate concerning the quantity of that, and that I thought it was practically inexhaustible.

EXPERIENCE OF WITNESS IN RAILROAD BUSINESS.

Q. (By Mr. RIPLEY.) Have you had any experience in the railroad business?—A. I have had; yes. I was in the railroad business until quite recently. The last 7 years of my experience was in the operating department, and I was quite intimately associated with it.

Q. Can you state the nature of your connection with the railroad business?—A. I was receiver of the Peoria, Decatur and Evansville Railroad, and advisory receiver for the Louisville, Evansville and St. Louis Railroad, and previous to that time I was general freight agent of the Evansville and Terre Haute Railroad, Louisville, Evansville and St. Louis Railroad, and of the Peoria, Decatur and Evansville Railroad.

THE REGULATION OF RAILROADS OPERATING UNDER RECEIVERSHIPS.

Q. Did you ever have called to your attention any bill before Congress regulating the conduct of railroads operating under a receivership? I refer particularly to what was known as the Cullom-Strauss bill of 1894.—A. No; I do not recall it. What was the character of the regulation? Did it refer to the organization, to the rates, to the paying of rebates, or what?

Q. It was for the regulation of stock issues and of receiverships and receivers' certificates for the control of employees, etc.—A. No.

Q. As railroads have been operated under receiverships in the past, do you see any need or desirability for such regulations?—A. No; not where you have judges such as I had in Indianapolis and Springfield in the persons of Judge Woods and Judge Allen. They at all times considered the upbuilding and improvement of the property. In fact, in the rebuilding of the properties we expended every dollar we earned. I do not see how anything better could have been done with the money, because we first paid attention to public policy, and after that if there was anything over we put it into bridges and road-bed.

Q. Were you subject in every respect to the same control by the Interstate Commerce Commission as you would have been had the road been operated in a state of solvency?—A. More so, because the judges said they would not wish their receiver to be found manipulating rates, whereas we have known of cases where independent concerns were not paying strict attention to the Interstate Commerce Commission.

RAILROAD RATE CUTTING—TRANSPORTATION RATES PAID BY THE SLOSS-SHEFFIELD COMPANY.

Q. Was rate cutting prevalent at the time you ceased your connection with the railroad business?—A. Yes; it was up to the time I became connected with it as receiver, and even during the receivership there was considerable rate cutting going on.

Q. That was how late?—A. Well, I think I might say my information covered a period of 2 years.

Q. Have you any reason to suspect at the present time any discriminations or rate cutting as regards products which you sell in northern and western markets?—A. No.

Q. You have sustained the published rates in every case?—A. Yes.

Q. What arrangements do you have with the railroads concerning the traffic which you as a corporation turn over to them?—A. None at all, except that we do feel sometimes that if we ship a good deal of iron over a road they might favor us with reference to a coal contract or something of that kind, but there is no understanding about that.

Q. Do you have a sliding scale of rates, the rates varying with the price of pig iron?—A. No; but when pig iron is very high the railroads have advanced the rates 50 cents a ton to Mobile and 50 cents a ton to the Ohio River. I think I have a little something on that subject in my book [referring to memorandum]. For instance, the basis has been $1.75 to $2.75 to the Ohio River; it is now $2.25. If iron is high and the country is prosperous, the railroad will very properly get a little more money.

Q. You are paying $2.25, then, on your pig iron to the Ohio at the present time?—A. Yes.

Q. Do you ever sell your product on the Pittsburg freight rate basis, or do you experience any inconvenience from the system under which many of the products that are under the control of the United States Steel Corporation are sold, they being all sold on the Pittsburg basis?—A. We do not compete with the United States Steel Corporation at all, because they buy pig iron everywhere. If we were in the steel business, perhaps the question might be harder. But they are buyers of pig iron as well as producers. They have never yet sold pig iron; they do not get enough for their own demand.

Q. Can you sell in the East at the present time on as good terms as you can in the West?—A. No.

Q. Could you if they were not already selling a considerable amount of product in the eastern centers?—A. We do have a certain demand; there are certain furnaces that prefer southern iron. The rates, however, are against us. I can not complain; if I had a furnace in Buffalo I would expect to get a cheaper rate than there ever was in Birmingham.

Q. There has been a complaint that the rates to the North were unduly high as compared with those of the rest of the country. You have no complaint to make?—A. No; I would not have any complaint if the tariff were taken off iron, because, as I have explained, iron being made in Middleboro, if they should undertake to send pig iron to this country, and if there was not any tariff here, the transportation rates would be 5 or 6 shillings a ton; so it would cost $2 a ton at least to get that iron. Probably here they could send iron more cheaply to the seaboard than we could ship it from Birmingham. Whether they could ship it cheaper than a man could make it in Buffalo I do not know.

Q. Does any of your pig iron go by rail and water?—A. Yes; that is the only way we can ship. We can not ship all rail, because it would cost too much.

Q. What is the rate to the eastern centers?—A. From Savannah and all the coast points, Norfolk and all along, the rate would be $3.75 to New York, and $3.85 from Florence, as against $5.54 by rail.

Q. And so all your product goes over the water?—A. Yes.

Q. Wherever you have any water competition?—A. There they would come in and bring us all down again.

Q. (By Senator Kyle.) You are operating an independent enterprise in the South?—A. Yes.

CONSOLIDATIONS IN THE STEEL BUSINESS NOT DANGEROUS.

Q. Do you look with apprehension upon the combination or consolidation of the great steel enterprises in this country?—A. No.

Q. You do not think they will operate in the restraint of competition any way?—A. If they restrain competition, it will be because they produce so cheaply that the competitors can not make any profit, and if they do that it is the greatest good to the greatest number.

TARIFF DISCUSSION AT THE PRESENT TIME HARMFUL.[1]

Q. (By Mr. Kennedy.) Are you in favor of retaining the tariff on pig iron and on iron and steel products?—A. I am opposed to even discussing the tariff. If you discuss it on one article, you will discuss it on others right along the line. It is largely sentimental, and I think tariff agitation would be very harmful.

Q. You know it is now being discussed?—A. I know it is, and in my opinion it ought not to be.

(Testimony closed.)

[1] See pp. 456, 465–466, 494.

TARIFF AND INDUSTRIAL COMBINATIONS.

WASHINGTON, D. C., *May 10, 1901.*

TESTIMONY OF MR. EDWARD ATKINSON,

Boston, Mass.

The commission met at 11.04 a. m., Vice-Chairman Phillips presiding. At that time Mr. Edward Atkinson, Boston, Mass., appeared as a witness, and, being duly sworn, testified as follows:

Q. (By Mr. JENKS.) Will you give your full name and address to the stenographer?—A. Edward Atkinson; underwriter; Boston.

Q. You have a prepared statement to present, I believe?—A. I have prepared a statement, gentlemen, as complete as I can make it. I think if this work is to be done, it should be done thoroughly. I have tried to condense into an hour statements covering a very wide field, but I think I shall not bore you beyond an hour. I should have preferred to speak without notes, but I do not think that is quite safe though it is more interesting to the hearer, and therefore I will read. (Reading:)

INTRODUCTORY REMARKS—FIELD COVERED.

GENTLEMEN OF THE INDUSTRIAL COMMISSION:

It had not been my intention to appear before you. Such commissions as your own have seldom been of much avail, but from my observation I am well assured that the work which you are doing will lead to a report that may carry very great influence. The logic of events is working a change in the public mind which must assure and almost compel a complete revision of the system of collecting our public revenue, and may lead to the removal of many obstructive taxes by which the revenue is diminished and our exports are retarded. Your report ought to give direction, system and method to legislation, and I feel well assured that it will do so. I also learned that you desire students like myself to present facts and figures for your consideration, therefore I am here at your suggestion. As I am in very close personal and business relations with all of the leading textile manufacturers and paper makers, and also with many of the machinists and metal workers of the New England and Middle States, it is fit for me to say that I do not assume to represent them and have no authority to speak for them. Many of the ablest and most skillful men in these branches of industry agree with me in the general principles which I shall put before you, and in their application. Many others are totally opposed to all my views. A large intermediate body greatly desires a readjustment of the system of collecting our national revenues, so as to fit it to our existing conditions and so as to promote exports now forbidden. They will sustain and advise a moderate system of duties which may promise stability and duration, if such a system can be adjusted without giving regard to the doctrinaires of either school—on the one hand, those asking immediate free trade; on the other sustaining a system of "protection with incidental revenue."

Our manufacturers and mechanics are no longer infants. They are well assured of their ability to conduct their work in competition with other manufacturing States or nations, if granted even terms with them in the

purchase of their materials free of taxes or duties, whether these materials be of domestic or foreign origin. In this treatise it is my intention to prove that the vaster portion of our mechanical and manufacturing arts have been generated and developed in the nature of things and under the necessity of our conditions. They form a necessary, not an artificial, part of our national development. The manufacture of iron and steel, of woolen fabrics, of cordage, of flax, of hats, and many other branches were well established arts in the colonies before the Revolution, in spite of the efforts of the mother country to suppress them and to forbid traffic in these goods among the several colonies now constituting the United States. In Alexander Hamilton's notable report upon manufactures in 1791 or 1792 before the invention of the Whitney cotton gin in 1793, he recites all of these arts as being "successfully established." He proposed to promote the cotton manufacture then existing in its infant stage by a remission of the duty of 3 cents per pound previously imposed on East India cotton. The prime motive of Hamilton's report and his proposal for duties ranging from 5 to 15 per cent was to counter the efforts of Great Britain to prevent the establishment of manufactures in our dominion. I shall demonstrate the fact that the high wages or earnings of the working people of this country have been the consequence of our advantage of position, of our continental system of free trade among the States, of our common education, and of our common energy. High wages or earnings are not the antecedent but are the resultant of low cost of production due to the vast possessions of fertile lands, of mines, and of forests. I shall prove to you that, while legislative bounties or subsidies direct or indirect may have promoted a more rapid and perhaps unwholesome growth of a very few specific arts, they have done so at the cost of the mass of the consumers and in a yet greater measure at the cost of other branches of manufacture which are to the manor born. Nearly all our manufactures have been established here from necessity rather than from choice. I shall present reasons why our present conditions almost compel a revision of our system of revenue, and I shall attempt to prove that what we have now to do is only to apply the principle of liberty, by which this nation lives and moves and has its being, to our trade with foreign countries as well as to our trade within our own domain. It is my purpose to present only a few general principles which lie at the foundation of any true method of protecting American labor and of promoting domestic industry. I shall sustain these principles by stating a few facts which can not be gainsaid. I shall only try to give direction to your investigations, and shall ask you to accept a treatise already printed, containing elaborate tables, as an appendix to this argument. It is entitled "British Manufactures and the Policy of Unfettered Commerce."[1]

THE RATE OF WAGES AND LABOR COST OF PRODUCTION.

I wish first to submit that the old fallacy that the rate of wages governs the cost of labor in any art to which modern science and invention have been or can be applied, no longer possesses any standing or influence among intelligent men. Low wages and low cost are the complement of each other only in those branches of industry which remain handicrafts conducted by hand work or manual labor.

Second. The true principle has become or is becoming a part of the common knowledge, namely—the highest rates of wages are earned or recovered from the sale of products in those countries, or at those points in each country, where the materials used in each art are most abundant or where they can be procured at the lowest cost, whether of domestic or foreign origin; also where the conditions of life are the most conducive to the health and energy of the workmen; also where the functions of government are most justly and honestly conducted, and the taxes in ratio to product the lowest; also where common education has been established, and in respect to competing nations where the least part of the product is diverted from constructive service to the destructive purposes of war or of preparation for war. If one desires to-day to find the place where the labor cost is lowest, in any given unit of product to which modern invention and mechanism have been applied, he may find it by tracing the rate of wages to that country, section or place where the earnings of the workman during any consecutive period of 5 or 10 years have been the steadiest and at the highest rates earned in that specific art, because at such point the best mechanism and the most skillful workmen will have been assembled.[1]

Third. In dealing with the development of these principles it is only necessary to cite the relative conditions of this country as compared to all other countries. In no other equal area of the surface of the globe are to be found such abundant resources in the soil, the mine, or the forest as within the area of the United States. In no other equal area has domestic commerce been made free from interstate

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[1] See p. 615.

taxation; in no other country have the railway and river systems of transportations been so fully developed by private enterprise, or subject to so slight legal interference or Government ownership or control. In no other manufacturing or machine-using nation, is imperial or national taxation so low in ratio to the population; yet more, so low in ratio to the value of the annual product from which all taxes must be derived. The great competing manufacturing or machine-using States of the world are the United States, the United Kingdom, Germany, France, Belgium, and the Netherlands. Their population in round numbers figures about 230,000,000, of which the people of the United States count one-third. Outside these countries there are more than 1,200,000,000 people waiting for a supply of the manufactured goods of these machine-using countries. Other European countries—Austria, Italy, Spain—barely supply their own wants, while the competition in manufactures in the commerce of the world may be disregarded, excepting as to a few special products such as the silks of the East. Glance a moment at the relative resources of these machine-using nations. The United States produce an excess of all the metals except tin; an excess of the products of the field with scarcely an exception; an excess of the products of the forests, soon to be supplemented by the vast resources of Canada lest we should denude our forest lands too rapidly; an excess of coal and of oil; an excess of all fibers excepting silk and wool, reeled silk being too much a product of hand work to become profitable in a machine-using State (as Daniel Webster said, we can't afford to do ourselves what foreign paupers can do so well for us); wool capable of being produced in excess of our own wants, especially upon the uplands and in the mountain valleys of the South whenever the cur dog is suppressed and a reasonable share of intelligence applied to the rotation of sheep, corn, and cotton on the same field. On the other hand, we find our competitors in Europe deficient in and mainly dependent upon us for a supply of food and of the most important materials entering into their processes of manufacture. Great Britain is deficient in food, in fibers, in ores fit for making steel, and is subject to increasing cost of coal with the possibility of the exhaustion of her coking coal. France and Belgium are amply supplied with food, deficient in fibers, in metals, and in fuel. Germany, with a poor soil, is barely capable of subsistence, and is deficient in timber, in fibers, and in fuel. The Netherlands are too small to have any considerable influence in the larger undertakings of commerce, except as carriers and importers in transit. Yet more, in no other country has so small a number of men been diverted from the constructive work of peace to the destructive pursuit of war, since slavery destroyed itself in our civil war, as in the United States. In one respect even the civil war was constructive, since it made way for the new industries of the regenerated South. The result of these conditions is found in the fact that in no other country is the cost of labor per unit of product so low, and in no other country are the rates of wages earned in factories or furnaces, the workshop, the mine, forest, or field, so high. The only exception to this rule being in those few arts which can not be conducted successfully without an untaxed supply of materials of foreign origin which are necessary in the process of our domestic industry. In a very few branches of industry these materials are now so heavily taxed by duties upon imports that they are at this time in an adverse and unprofitable condition. So far as the principle of liberty has been permitted to take its free course, our domestic industry has been promoted, our workmen have been protected, and our home and foreign markets have been established and assured. So far as liberty has been restricted by the provision of public taxation to the promotion of a very few special private interests have manufactures been retarded, while, as a rule, such specially protected arts have led a fitful and feverish existence, subject to constant fluctuation and frequent failure. Yet there are some cases, notably in iron and steel, where this influence has only retarded the national development and has not stopped it;[1] but the great development of our metallic industries and our exports could not and did not assume their true proportions until our iron mines and furnaces had been so developed by the application of skill and invention as to enable us to make iron and steel at high wages and at less cost than in competing countries. When the price of iron and steel became even in this country and in Great Britain since 1890, the supremacy of this country was disclosed, and the development of our exports of metallic products went on by leaps and bounds. In 10 years—1880 to 1889—we consumed 10,000,000 tons a year of iron, domestic and foreign. The average disparity in price or excess of cost to consumers in this country was about $7 per ton. The cost of protection in that period was $600,000,000 to $700,000,000. A little later our home competition brought prices to a parity, and then our great exports began to develop. We protected the iron master of Great Britain in the commerce of the world in order to retain our own small lesser parts. In other arts, notably in the

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[1] See page 620.

wool and woolen industry, adverse conditions still exist. I am no longer in manufacturing. I have been in the woolen industry, and I know it from top to the bottom. It is impossible to establish and maintain woolen and worsted manufactures without the untaxed import of the wools of the world. The more foreign wool we have, the more domestic wool we may use. It is a matter of climate, soil, and conditions. We may ultimately become exporters of wool of many kinds when the protection of intelligence is extended throughout our land, and the evil influence of indirect efforts to grant bounties is removed.

Fourth. In proof of the truth of the general principle that high relative wages are the consequent or correlative to the low labor cost of production, and not the antecedent, it is only necessary to cite the facts in regard to our present exports. We are now exporting crude, partly manufactured, and finished goods of every type to every part of the world, except those products which are burdened with heavy taxes on necessary materials of foreign origin. We are exporting cotton and cotton fabrics, corn, cordage, wheat and flour, provisions, machinery and metallic products of every kind, clocks, watches, and miscellaneous articles. If the rate of wages governed the cost of labor in the product, not one dollar's worth of any of these goods could leave our shores. The earnings of the Fellaheen of Egypt and the Ryots of India are not one-fourth the earnings of the laborers in our cotton fields, hardly one-tenth, including Russia, those of the laborers in our wheat fields; yet our cotton and our wheat constitute the chief supply of the world. The cotton of Egypt, limited in quantity by the area of available land, fills a temporary place in competition with ours because it is ginned, prepared, baled, and sent to market in a condition that puts our former methods to shame. When our Southern cotton growers give equal attention to quality and preparation as they have given to quantity, we shall cease to depend upon Egypt even for the cotton needed in our finest work. When the cur dog is suppressed and the attention of intelligent men is given to sheep breeding on the cotton fields of the Piedmont district, wool will be protected. We will then compete on more than even terms with the semi-barbarous methods of the ranches of Australia and the pampas of South America. In one respect our methods of preparing and packing wool are worse than our methods of baling cotton. It is safe to buy a bale of cotton by sample, it is safe to buy a thousand bales of Australian wool by sample and brand. It is not safe to buy American wool without throwing and testing every fleece in every bale. We have developed science and have applied invention to every type of mechanical and manufacturing industry, but in our treatment of raw cotton and unscoured wool we fail. Our work on these lines has been until a very recent period more barbarous and wasteful than that of any race engaged in their production—black, white, or yellow.

AMERICAN DUTIES WHICH DISCRIMINATE AGAINST THE UNITED STATES IN FAVOR OF FOREIGN COUNTRIES.

Fifth. There is one other principle or axiom which I wish to put before you. I will then take up the practical application of these principles and submit facts. The burden of a tax can only be computed or estimated by the ratio which the amount of the tax on the material bears to the full value of the product into which the taxed article enters. The tax may be very small, but it may be very burdensome in the ratio which it bears to the profit that might be gained on a given manufacture. For example, the margin of profit on common printed calicoes, which retail for 5 cents a yard and even for less, is on an average not above one-eighth of a cent per yard on the gray cloth; yet that small margin gives nearly 2 cents per pound profit, and that rate will yield 5 to 7 per cent upon the capital invested in the print cloth mill and machinery. A less margin of profit, one-tenth of a cent or less, will keep the print works in operation and will pay handsomely on the investment. Now there is no branch of industry in which the manufacturing States are so dependent upon each other as in the chemical industry and in the manufacture of drugs, dyestuffs, and chemicals, which are the materials of chief cost in printing cotton calicoes. Germany excels all other States in this branch of science, and is the chief source of many most important articles. There is no more harmful schedule in our tariff than the list of duties imposed on chemicals, drugs, and dyestuffs needed by us. The Stassfurt potash mines of Saxony are the source of the world's supply of potash in all its forms. I am trying to find a potash mine in this country. If there were a war in Europe which would interfere with the potash industry, it would interrupt more industries in this country than anything else that might happen. I am in correspondence with two engineers in the West now trying to locate potash mines. Germany excels in all the aniline dyes and so on. These drugs, dyestuffs, and chemicals in their higher forms are subject to heavy duties on their import; the revenue derived from this chemical schedule is but $5,000,000 or $6,000,000, nearly

one-half of which is on opium or upon proprietary medicines and a few other articles which ought to be taxed for revenue purposes. Other duties in this schedule increase the cost of dyeing and printing, of paper making, of fertilizers, and in many other arts in which we might otherwise compete with Germany, France, Great Britain, and Spain in supplying South and Central America, Mexico, Cuba, and other neighboring States. It is difficult to measure the exact harm; but if these duties increase the cost one-tenth of a cent a yard on a printed calico they may deprive the printer of his little margin of profit. We may then find the great markets of the world closed to us, but open to our competitors in Europe, merely through the protection which this little petty tax extends to them, which costs us more to collect than any other, which yields but little revenue, and which maintains a few very practical but not much known monopolies in the hands of the makers of some of these articles in this country. As it is with these duties, so to a greater extent do the duties on wool, hides, and many other materials of foreign origin burden and restrict the export of our own manufactures while protecting those of competing countries, who suffer no such obstructions to exist.

PROTECTION FOR INFANT INDUSTRIES.

Sixth. Such being the principles and such the facts we are now led to the main questions: First. How can the manufactures of this country be most fully promoted? Second. How can American labor be best protected? Third. How can our home markets be most thoroughly retained? Fourth. How can our foreign markets be most rapidly extended? May we not find relief by the application of the principle of liberty? May not these benefits be attained by removing the obstructions which previous legislators have put in our way?

I assume that this commission seeks to attain the greatest good for the greatest number, while at the same time giving due regard to the artificial conditions in which some of the conspicuous arts have been placed by the long existence of a very high and in some lines prohibitive tariff. I assume that this commission will treat with respect the doctrinaires on either side; but will give little regard to either influence. On the one side, may you not rightly ignore the dogmatic advocates of what is called "protection with incidental revenue?" On the other side, may you not rightly ignore the equally dogmatic free trader who would at once remove even duties assessed for revenue purposes, because in some instances they may give for a time some artificial stimulus to a domestic product? I will therefore at first deal with the relative numbers who are occupied for gain in the several arts according to their classification in the census of occupations. These relative numbers change but little, decade by decade, in their ratio to each other. They vary somewhat in the several sections; but are becoming more uniform since the removal of slavery opened the way for the Southern States to engage in the manufacturing and mechanical arts and in mining. Here let me interject a most important point. It has been held that infant industries may need temporary protection in their early stages. But a few years have passed since the Southern States, which had depended almost exclusively upon agriculture, were left prostrate by a devastating war. The intelligent were disfranchised for too long a period; the grossly ignorant were enfranchised without preparation and were suddenly charged with the control of the Government. The Southern States entered upon infant manufactures with their property destroyed, their railways wrecked; without capital, without inherited mechanical aptitude, without mills or workshops, and without developed skill to establish them. They were exposed to the unrestricted competition of the great ironworks of Pennsylvania, of the textile factories of New England, and of the woodworkers of the West. What do we now witness? Have not the Southern ironmasters proved themselves equal to those of Pennsylvania, superior in many respects to the British and German? Are not Southern cotton manufacturers ready to supply the markets of the world with all the medium useful grades of cotton fabrics, which constitute 80 to 90 per cent of the world's consumption, whenever we remove the obstructive tax from the crude products of Asia, Africa, Australia, and South America? Then the 800,000,000 people or more of these continents may be able to pay for their purchases of cotton fabrics, as they now pay our competitors in Great Britain and other countries, by exchanging their crude products for them. They have but little money; they are mostly hand workers at low wages; but they sell their crude products to all other countries free of obstruction, while we fine them for trying to exchange goods for goods with us. Have not these infant ironmasters and cotton manufacturers of the South given a lead and presented an example to the adults of the North and West? What other protection than that of their own rapidly-developed skill and capacity have they needed?[1]

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[1] See p. 621.

RELATIVE IMPORTANCE OF VARIOUS OCCUPATIONS AS REGARDS PERSONS EMPLOYED.

Let us now give regard to the relative numbers of the great body of workers, by whose mental, manual, and mechanical capacities the great industries of this country have been developed. I regard the census of occupations as one of the most important. It must be accurate, because those who count the people call upon every family to say what the occupation of each working member is, and they list it. The only doubt pointed out by General Walker in the census of 1880 was in respect to the placing of common laborers, many of whom were listed under the head of personal service, who were probably occupied the larger part of the year in agriculture. That census disclosed the following proportions in round numbers: Occupied in agriculture, 44 per cent; in professional and personal service, 23½ per cent; but if we transfer a portion of the common laborers from personal service to agriculture, in round numbers nearly 50 per cent of the working force of this country was then and is now engaged in agriculture, leaving 20 per cent in professional and personal service, 10½ per cent in trade and transportation, and 22 per cent in manufactures, mechanical arts, and in mining. The tendency to change in these proportions is slight. In 1890 the proportion in agriculture had been slightly diminished, and will yet more diminish with the increased application of science and mechanical invention to the mechanism of the field. The proportion in trade and transportation slightly increased, and will continue to increase as the volume of products is augmented. It is an error to suppose that the big department stores or manufacturing enterprises are absorbing the little ones. There are more small shops for distribution in ratio to the population now than ever before. There are more small workshops scattered throughout the land than ever before, especially in the South. It is in these lesser arts that stalwart men are developed. Not exceeding 10 per cent of the working force can be gathered as operatives under the collective system of the great factory and great workshop. The factories represent large capital and relatively small numbers of working people. There are nearly four hundred arts listed under the title of manufacturing and mechanical arts. Glance over the list and you witness the growth and the paramount importance of the lesser arts and industries in which mental energy must be combined with mechanical aptitude. The proportion occupied for gain in the manufacturing mechanic arts and mining varies but little, although the product has been vastly augmented. A lessening proportion of more and more skillful men and women earning higher and higher rates of wages augment the product, while they lessen the cost of aggregate production of the factory. The proportion in professional and personal service does not vary greatly. A considerable variation will be observed among the States. In the far East, where the soil is poor and the climate harsh, a greater relative number is found in the manufacturing arts, less in agriculture; in the South there are and will be more in agriculture, less in other industries. In the middle West, from Ohio to Iowa and Kansas inclusive, we may note a constant tendency to uniformity in the distribution of the working forces among the several occupations as the State develops. In 1880 Ohio was a typical State, possessing varied resources in all the arts, including mining; Indiana had become a great center of coal and of many important manufactures, although without metals of any moment; Michigan excelled in manufactures, mechanic arts, mining, and agriculture alike. I suggest that the commission compare the relative occupations of these 3 States, all lying around the center of our population; glance over the list of their manufacturing and mechanic arts listed under over 360 titles; then put the question to yourselves, What branches of manufacturing or mining industry in any one of these States has ever been or ever could be subjected to the import of a product of like kind from a foreign country, except it be from Canada? What foreign product of agriculture except from the tropics could be imported? With a more Southern sun even the border States of the North are able to sell to the Canadians vastly more even of the products of agriculture than we can buy from them. Put to yourselves the question, and employ an expert to work out the details, To what extent are the people of the great Mississippi Valley, where the center of power now rests, subjected to a competing import, and in what direction is their profit or loss to be sought or avoided? How shall their manufactures be promoted? How may their labor be protected? How will their individual wealth and welfare be augmented? You have called Professor Ripley rightly to your aid on one line of investigation; why not call Professor Falkner, of the National Library, to work out this problem? I do not know to what economic school he belongs; I am not aware whether he is a free trader or a protectionist, according to the common use of these terms. What I do know is that he never "cooks" his figures, and that he comprehends the subjects of which figures are but symbols. No one despises or distrusts mere figures more than one who has compiled as many as I have; unless one can read between the lines, or can grasp the meaning of the figures, they are but dust and ashes.

THE TARIFF AND AGRICULTURAL PRODUCTS.

Dealing with the work of all who are occupied for gain, the census of 1880 shows a fraction under 1 in 3, or in round numbers 17,400,000 persons occupied for gain, divided according to the classifications which I have previously submitted. In agriculture the only products subject to foreign competition (except in our dealing with Canada, to whose people, as I have said, we sell nearly double the products of agriculture that we buy) we may name sugar, wool, hemp, and flax, tobacco, a few fruits, and scarcely anything else which could be imported from a foreign country were there no tariffs in existence. Sugar may rightly be made subject to duty for revenue only. Under existing conditions it may become necessary to permit sugar to come in free of duty, and while this may in some slight measure expose the growers of cane and of beet roots to foreign competition, it may be one of the greatest boons to agriculture that could be granted. Great Britain, producing neither sugar nor fruits in any considerable measure, has established a vast export industry in jams, preserves, and other types of fruit products. Under the stress of war Great Britain is about to put a duty upon sugar. Supposing we were granted free trade in sugar, we should command the commerce of the world in canned and preserved fruits, and in condensed milk, giving employment to a vastly greater number of persons than can by any possibility be occupied in the making of sugar from either cane or beets. It is, however, probable that the duties now yielding one of the largest sums in our revenue may be retained. Fruits, meats, and tobacco are subject to duties for revenue. Wool remains the principal article of domestic production which can be subjected to foreign competition. What are the facts about wool?

Unquestionably a great many farmers each keep a few sheep, and the number who have been deluded in favor of duties on wool may be large; yet if we give regard to the total value of the wool clip, which at its highest point has been about 300,000,000 pounds, at about 20 cents a pound unscoured, and then compare it with the vast volume of other products of the field, it becomes a very insignificant factor in our farming industry. The total value of the wool clip has rarely, if ever, exceeded $60,000,000. Supposing the average product of the average farm to be $500 worth a year,[1] the product of wool would then represent the work of only 120,000 persons occupied in agriculture, out of not less than 11,000,000 to 12,000,000 now engaged in that work. It is true that one of our high-tariff advocates, whose name is very conspicuous, once stated as a fact that there were 750,000 farmers, owners of 160 acres of land each, who gained their whole subsistence from sheep growing; that there were 750,000 similar farmers whose main dependence was upon wool, and in addition all who were occupied upon the sheep ranches were engaged in making territorial wool. But in the year on which this computation was based the total value of the wool clip of this country did not exceed $60,000,000. That sum, if divided only among 750,000 farmers said to have been wholly dependent on wool making, would have given each an average of $80. If divided among the 1,500,000 farmers said to have been wholly or mainly dependent on wool it would have given each only $40; and if nearly one-half had been set apart as the value of the territorial or ranch wools, each of the inclusive wool farmers would have received about $25 for his whole year's work. The misuse of statistics could not be brought to a more absurd conclusion,

The breeders of high-priced Merino rams of Ohio have been the chief agents in promoting the delusion about wool. Even in Ohio in 1880 the product of wool constituted less than 4 per cent of the value of the total product of agriculture. I doubt if it now exceeds 2 per cent. The value of the hens' eggs of Ohio is much greater than the value of the wool clip.

In point of fact not over 2 to 3 per cent of the products of the farmers of this country can be subjected to foreign competition, while from 10 to 20 per cent, varying in different years, depend upon the export of our surplus for their entire income.

Q. (By Representative GARDNER.) May I interrupt you a moment? In matters such as dyestuffs, for instance, you demonstrate that a very small matter may be equal to the profit?—A. Yes.

Q. And therefore control the production or nonproduction. But when it comes to sheep and wool, because the items seem to be small, you treat them as of no consequence?—A. Oh, no; I say that a very small tax may interrupt a great product. A very small product having a great tax, like wool, may stand in the way of a vast expansion of the export commerce of the world.

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[1] Note by witness.—From information obtained since the testimony was given, I am sure the average product per farm will be nearer $700 than $500 on the census of 1900.

Q. Might not that $25 or $80 to the farmer stand in the same relation to the whole product of his farm?—A. That is a question of fact, and you are probably more familiar with farmers than I am. Every farmer ought to keep a few sheep to clear his fields and fertilize them, and many of them do. It is just like the product of the hen mines—the hens' eggs—it is so much extra, and undoubtedly it is an important item, but the profit of the average farm can never rest on wool. But if it stands in the way, as it does, of the export of the surplus of other products, the farmer or few farmers engaged in wool may gain a small benefit at the cost of the vast number who would be without profit of any kind unless we could export our surplus to foreign countries.

Q. I think the doctrine of the greatest good to the greatest number would become involved there, and perhaps we should determine how that farmer ought to be reached.—A. I admit this principle: if you may rightly interfere by the diversion of taxes from purely public purposes to private enterprise, the farmer has just as much right to his share of the protection as the manufacturer or anybody else. But when you come to that, and make figures hereafter, you will find that there are not 5 per cent of the people of this country who can be protected by a duty on foreign imports, and there are 95 per cent of consumers who pay the bill. I am coming to that.

Q. I noticed that line of thought a while ago while you were speaking of coal.—A. Yes; I think they are both consistent.

Q. But assume that the manufactory which buys that coal is injured or practically closed, as the potteries were under the last previous tariff bill, is not the customer, the consumer of that coal, is not his business destroyed? In other words, can you measure the effect of protection by the determination of whether the tariff is of consequence on a particular thing? If the tariff upholds the factory that consumes the coal, is not the coal protected?—A. You can only measure the evil influence by taking certain particular examples. I am trying to deal with the general inference, and as I go on I will develop the point. No change in the tariff can affect any considerable number of persons in so-called protected industries because the whole number is small, while the expansion of the foreign market will create a greater demand for all our principal products, coal included. (Continues reading:)

PROPORTION OF AMERICAN WORKMEN SUBJECT TO FOREIGN COMPETITION.[1]

Of course there can be no foreign competition with those who are occupied in professional and personal service, or in trade and transportation. The number occupied in manufacturing or mechanical arts and mining, according to the census of 1880, was a little less than 4,000,000. I have dealt with these occupations under this head as judicially as in my power to do. In 1880, before iron and steel had become independent, even by putting in the category subject to foreign competition all those who might be subjected in part to import of products of like kind from foreign countries, I could not raise the number to a million. I put under this head all occupied in the textile arts; all who were occupied in mining coal for iron and steel and converting these metals into mechanism; all who were occupied in other departments, such as glass and pottery, who could in any considerable measure be subject to foreign competition. Even then I could not find a million of whom at least half were already free of foreign competition. I could not raise the figure to over 15 per cent, even of those listed under this title of manufactures and mechanic arts. In fact, in that year not 5 per cent of all who were occupied for gain in this whole land could have been subjected to foreign competition by the import of products of like kind from any foreign country, with a small exception of Canada, with which I have already dealt. In 1890 there were many less. Iron and steel and other metallic products had become very nearly free of foreign competition; not 4 per cent could be put into the list of those subject to foreign competition in the census of 1890. When we get the figures of 1900, in which year the number of those occupied for gain in all the arts, mental, manual, and mechanical, will number more than 26,000,000, out of 76,000,000 population, I doubt if anyone with judicial mind can find 1,000,000 who could under any conditions be subjected to foreign competition, and when the materials of foreign origin which are necessary in our domestic industry are free from obstructive taxation, that number will be very much lessened. I commend this line of investigation to your attention. My figures may be objected to on the ground of bias in favor of freer trade; but there are many persons here in Washington who would be fully competent to make this judicial analysis free of any bias, of whom Professor Falkner is one. I could name several others. On the other hand, if you will analyze and observe the number of persons whose

[1] See pp. 596–597, 619–620.

whole income rests upon the export of our surplus products, especially in agriculture, you will find three times the number whose welfare depends upon export as compared to the whole number whose work would require readjustment if there were a revolutionary change in our revenue system, which no one excepting mere doctrinaires contemplates. In fact the larger parts of our imports, especially of textiles, consist in a considerable measure of hand-made fabrics. The finest silks, velvets, and linens of France and Germany are of necessity woven on hand looms; the finest cotton fabrics, laces, and embroideries and the like are many of them the product of hand work; a very large part of our imports of textiles rest upon fashion and fancy and style rather than upon quality; all these are suitable subjects of high revenue duties. Very few of the useful and necessary textile fabrics, excepting linens, must be imported even now, and that portion can be very much lessened if wool, dyestuffs, chemicals, and the like can be supplied to our textile manufacturers on even terms with those of Great Britain, France, and Germany; that is, free of tariff taxation.

LESSONS FROM GREAT BRITAIN'S TARIFF EXPERIENCE.[1]

Permit me to close by a few words in regard to the economic system of Great Britain. We are but repeating history, and although it often excites prejudice to cite British experience as an example for ourselves, may we not take a lesson even from our rivals as a guide toward our own prosperity? Has not a closer trade alliance of the English-speaking people become necessary to the maintenance of the peace of the world? The continental states of Europe are trying to find out how to defend themselves against the cheap but high-priced labor of Great Britain, yet more against the cheaper and higher-priced labor of the United States. If the prejudices of race and creed and difference in language permitted, there is scarcely a doubt that all of the European states except Russia might combine to boycott the products of Great Britain and the United States. That was the great object of Napoleon in his effort to destroy British commerce and manufactures. He failed so utterly that his own contractors were obliged to buy the forbidden goods of Great Britain in order to equip his armies for the Russian campaign. It will be remarked that even in our exports of to-day Great Britain, her colonies, and dependencies have long bought from us 50 per cent of all we had to sell, sometimes 60 per cent. Germany is now trying to defend the agrarians, or great land holders, against the interest of the masses, by heavy duties on corn and provisions, repeating the blunder of the British Tories in their efforts to maintain the corn law. The more the continental states of Europe shut out the food, metals, fibers, and fabrics of this country, the higher will be the cost of their own manufactures, the less the margin left to pay for wages, and the more they will give to Great Britain and the United States absolute control of the commerce of the world. How did Great Britain attain to the paramount position which she has held during the last half a century? Was it not by removing the shackles from commerce? In 1840 the number of paupers and the general poverty and distress in England were greater than at any period before or since. The tendency to failure of the system of protection had become plain in 1820, when Daniel Webster, in a great speech in Faneuil Hall, supporting the merchants of Massachusetts, opposed the efforts of Henry Clay and his associates to put what he called the American system upon this country.[2]

Webster defined Clay's so-called American system as a British policy which Great Britain was even then trying to throw off. In 1824 Huskisson began the reform in England by taking off or reducing the duties on wool and other crude materials. That was the very year, I believe, in which a duty was placed on wool for the first time in the history of this country, a dark day for wool and woolen industry. In 1840 Joseph Hume, the economist, moved for a Parliamentary committee to investigate the duties on imports. He was aided by John Deacon Hume, of the civil service. A notable report was made in 1842, which led Sir Robert Peel to give up his previous convictions and to become the great leader of fiscal reform, although he still supported protective duties on grain. The anti-corn law league had become active, but did not reach success until the Irish famine of 1845–1847 compelled the remission of duties on corn by orders in council, afterwards justified by act of Parliament. Hume's report on the British tariff disclosed the fact that the average duty was 28 per cent, and that there were 1,250 separate specifications, the amount of revenue about £10,000,000, or $50,000,000. It also disclosed the fact that less than 50 of these specifications yielded more than 75 per cent of the revenue. The conditions of the United Kingdom were described by Peel in one of his speeches somewhat in the following terms: Ships rotting at the wharves, the manufacturing population rioting in the streets, the agricultural

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[1] See pp. 622–623.

[2] See pp. 623–624.

population starving in the fields or barely existing upon parochial relief. And in reviewing the fiscal conditions, he described the chancellor of the exchequer "seated on an empty chest, over a pool of bottomless deficiency, fishing for a budget." Hume classified imports under four heads. In the classification which I induced Secretary McCulloch to adopt in 1884 we added a fifth class, to which I may presently refer. In Peel's first great act, 500 petty articles were put into the free list which had previously yielded £2,000,000, or $10,000,000. Even he could not conceive that such a change would give immediate stimulus to trade, commerce, and manufacture, and that the revenue would presently come back to the amount which the customs had previously yielded. He therefore proposed a temporary income tax for three years to make up for the expected deficiency, computing this yield at £3,000,000 a year. The result was surprising. The income tax disclosed an enormous individual wealth gained at the cost of the general public by returning nearly £5,000,000. Such was the instant beneficial effect of the removal even of the 500 petty taxes on imports that at the end of three years the 750 articles remaining dutiable again yielded the full sum of £10,000,000. I speak in round figures, referring you to Noble's Fiscal Legislation of Great Britain, which will give you the facts.

In his second measure of 1845 Sir Robert Peel removed duties on 700 articles or thereabouts, leaving only 50 subject to duties. These 700 had yielded £3,000,000. Again no one could conceive of the benefits. Again an income tax was imposed for 3 years to make up the expected deficiency, and although the Irish famine ensued and the corn law went by the board, the revenue from the 50 remaining articles was again about £10,000,000, and the income tax had become a surplus for other purposes. Presently Peel went out of office, Gladstone came in, and in 1863 the shilling duty on corn was remitted, and there remained for many years down to a very recent period only 6 or 8 dutiable articles, yielding as much income as the 1,250 articles had yielded when the reform began.

Is there no lesson in these figures? I have had many interviews in my visits to England with foreign economists and statesmen. Mr. Gladstone almost feared the time when this country would adopt tariff for revenue. He urgently desired to make great payments on the public debt before the increasing scarcity and advancing cost of coal and the passing of the dominion of iron and steel to this country should render it more difficult for Great Britain to meet her obligations. Even those who hold anti-British prejudices may advocate the adoption of a policy which will render our competition with Great Britain more severe than it is now, while those who believe there can be no such thing as a war of trade, and that commerce rests upon mutual benefits, whether among men or nations, may join with us in bringing about such close and closer relations among English-speaking people of Great Britain, of Canada, and of Australia as will unite our forces, if force should become necessary to maintain the peace of God upon the high seas.

THE POSSIBILITY OF PERPETUAL PEACE.

The burden upon Great Britain of imperial taxation and heavy national debt is far greater than ours; her need for defense yet greater; but the blood tax of standing armies and of yet heavier national debts is heavier upon the continental States of Europe than upon Great Britain. Great Britain may pay and maintain her credit, but the national debts of many European states have already been repudiated and others are sure to be. One hundred years ago Immanuel Kant uttered a prophecy of perpetual peace, basing his prediction upon the beneficent forces of commerce working to the suppression of war. It seemed a visionary prediction—it seems so still; but in the invention of implements of war, which, as Professor Long says, have brought the art of warfare, especially upon the sea, to an "extra hazardous branch of mechanical engineering," the reunion on a commercial basis of the English-speaking people may yet become a living fact. If Russia should join, as I believe she will since my visit there a few years since, when I met many of the leading statesmen, the peace of the world would be assured. Russia has entered upon a great industrial development. The prejudices of the English against Russia have almost wholly gone. A clear understanding is becoming manifest even in the dealings of Great Britain and Russia with China. The Crimean war is admitted now by every sane Englishman to have been a crime and a blunder. I believe that the move of the Czar to promote arbitration was fully sustained by the statesmen of Russia, and that we may yet presently witness a complete and cordial understanding between Great Britain, Russia, and the United States for the suppression of war and

rapine and for the extension of commerce, coupled with a recognition of the rights of states and nations, of people and of provinces, to establish liberty on the basis of the consent of the governed. If these are visionary thoughts, far better to try to make them a force than to continue international jealousy and to prate about a war of trade.

DESIRABILITY OF REDUCTION IN NUMBER OF DUTIABLE ARTICLES AND OF CHANGE IN CLASSIFICATION.

I have referred to a change in the form of statement and to the classification of imports which I suggested to Secretary McCulloch in 1884 after a careful study of Hume's classification of British imports in the report of the committee of 1840, made in 1842. I made the new compilation at the request of the Secretary. Before that date all imports had been reported alphabetically, both free and dutiable. I added to Hume's classification an intermediate one—"articles partly manufactured used in the processes of our domestic industry." My list covered, first, articles of food and live animals; second, articles in a crude condition necessary in the processes of our domestic industry; third, articles partly manufactured used in our domestic industry; fourth, manufactured goods; fifth, articles of voluntary use and luxuries. I startled the Secretary and the officials by proving that 50 per cent of the articles taxed under the tariffs of that date could be put into the free list without reducing the revenue by 15 per cent. At a little later date, after Mr. Charles S. Fairchild, First Assistant, and afterwards Secretary of the Treasury, came into office, I visited Washington and brought the matter before him, making the suggestion, which was carried out, for carrying back the analysis to 1880, so that the new tables should be in a consecutive series by decades. When I made the statement to him that one-half of the complex schedule could be transferred to the free list without impairing the revenue by 15 per cent, he could not credit it. He proposed a test, and referred the matter to Messrs. Tichenor, now of the Bureau of Appraisers, and Mr. Tinglee, two of the most experienced experts in the Department, who scouted the very idea of such a result being possible. I then sat down with them, dictating from one to the other from the previous years' reports, a proposed free and dutiable list; on that table a compilation was made. I returned next morning to get the verdict, and to the surprise of all except myself the verdict was, "You have transferred to the free list 60 per cent of all the articles named in the tariff, with a reduction of revenue of only 12 per cent. "Moreover," added Mr. Tichenor, "you have removed all the vexed questions that hinder our commerce with Canada." My argument had been based on the belief that once these classified figures were put before any Committee of Ways and Means, of whatever party, the tendency would be, as it has been, to take off the taxes then imposed upon articles necessary for our domestic industry. The logic of these facts has controlled every committee down to, but not including, the last. Even under our present more complex and higher tariff, however, the free list of these articles is much larger and the burden upon domestic industry of this class of duties is much less than it was in 1884. I refer you to the Government reports in support of this statement. The protection of domestic industry now demands further additions to the free list, even to the extent of nearly every article named as crude or partly manufactured now dutiable. If that addition were made to the free list the loss of revenue would be less than one-third the present surplus. No act could be done for the promotion of domestic industry more beneficial than to deal with these two schedules in this way.

Unless your attention is called to the evil effect on domestic industry of some of these petty taxes you can not comprehend them. Consider, if you please, the absurd duties still imposed upon old scrap iron and steel, and old copper and other metals, which would be brought in ballast without charge from many parts of the world, to the restoration of the small metal industries of New England and the seacoast, which have been destroyed by these duties on old metal. Many of the cargoes which are brought from Asia, Africa, and South America are of relatively light weight, requiring ships to be ballasted. Would it not be better to ballast ships with old iron, steel, and copper, animating our domestic arts, rather than to bring useless paving stones or other worthless stuff? There is something so grotesque, so absurd, in the taxing of such material as to make it almost inconceivable that such a tax should be favored by the advocates of an indirect bounty or subsidy to the great iron and steel magnates, who are now proposing to grasp the whole traffic of the world under a trust.

I refer to this matter at the present time because a similar reform and classification is now called for in respect to our exports. Our exports are now classified as products of agriculture and manufactures; but under the head of products of agriculture some of the highest forms of our manufactured goods are included—wheat flour, biscuits, canned meats, preserved fruits, provisions, dairy products, and the like—while under the head of manufactures are included some of the crudest of secondary forms of other products, such as copper matte, petroleum, and the like. I beg to present to you a new form of classification of exports, in which I have made 5 classes of products—of the field, the forest, the mine, the sea, and the factory. I have also divided each of these classes into the crude, partly manufactured, and finished condition. This table brings out in the most conspicuous way a much greater development in the export of our highest types of manufactured goods than is made to appear by the official classifications. I have compared the exports of 1894 and of 1898, those of 1899 not having been printed in detail when I made this table. The export of every kind of product has increased in the aggregate 73 per cent; but I call your attention to the fact that while the export of crude products increased between these periods 60 per cent, of partly manufactured 46 per cent, the export of our finished manufactures of highest types, especially in metallic, increased 172 per cent.

THE TRADE OF THE UNITED STATES WITH VARIOUS FOREIGN COUNTRIES.

I also submit tables[1] giving the relative trade with each country or state; finally, I have estimated the value of our exports to each European state against their credit for our imports. The variation is so great that I at first distrusted the figures; but on a thorough examination through the custom-house of Boston and the department of commerce of Washington, I am satisfied that our valuation of exports is as close to the facts as such figures ever can be, the larger figures credited to us by foreign countries including freights and charges and also duplications. For instance, we charge Switzerland with a very small sum, I think only about $250,000, while they credit us with many millions, being substantially a free-trade country and a large consumer of our products. I found Southern cotton fabrics in Berne, on the market place, years ago—a common wear of the common people. You see, the British coarse goods are all stuffed; they are all loaded with pipe clay and starch. The books on the art of sizing are very good reading. The principal book on the art of sizing gives the directions to be very careful to use Egyptian flour, because it has the most gluten and will hold the most clay. There was one period when cotton was very high priced, when particularly Great Britain did not consume any cotton fabrics within her own limits. The pounds of export of goods balanced the pounds of import of raw cotton. The consumption of Great Britain was only represented by the stuffing. I have seen contracts for shirtings made in Manchester for India and China, to this effect, that an 8-pound piece should contain not less than 5 pounds of cotton. Now, the Chinese are a most acute people. They buy our goods when they get the chance, because there is in our best heavy goods no more starch than is needed to make them weave, and if you wash them and shrink them they become thicker, whereas if you wash and shrink the British goods they become thinner. The British justify the export of the shirtings to India on this ground—that they are only used for breechcloths, and as the starch comes out the dirt goes in and serves the same purpose. We can emulate them, but we do not want to. The Chinese are acute buyers, and the more we buy from them the more American goods they will buy.

Goods sent to Switzerland, to Austria, and to many parts of Germany are charged in our manifests to France, Belgium, Italy, and Denmark. The important point in this table which deserves your attention is the relatively large proportion of the total import of each of these countries from this country. All are dependent in a very considerable measure upon us; Great Britain to the extent of one-third her total import requires the products of this country. This matter is more fully dealt with in a treatise, which I present to you in type, on the aspect of commerce as at present conducted from the British standpoint.

I am aware that I have attempted to cover a broad field in this testimony. I have thought it best to do so at the risk of wearying you in presenting it, because if it were fit that I should undertake to do this work in any way, it were more fit that I should do it in the most thorough manner according to the measure of my ability.

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[1] See exhibits, pp. 545–551.

THE RELATIVE BURDEN OF TAXATION UPON THE UNITED STATES AND COMPETING EUROPEAN COUNTRIES.

I beg to call your attention to a line of investigation, which this commission might well promote, of prime importance in dealing with any long period of time. I find it beyond the power of a private investigation. It is the relative burden of taxation upon this country and upon the competing States of Europe—the United Kingdom, France, and Germany; in fact, a comparison might well be made with all the European States. Through 5 administrations, for 20 years prior to the present administration and of the beginning of the Spanish war, the average per capita expenditures of this country for all purposes of government, including Army and Navy, rivers and harbors, and the like, but omitting a few special bounties like that paid for a few years on the production of sugar and the refund of the direct tax collected during the civil war, averaged less than $5 per head. The normal cost of government during that period had been but a trifle over $2.50 per head; pensions and interest on the national debt also $2.50 per head. The latter item was beginning to diminish at the end of this period, and would have rapidly diminished except for the renewal of warfare. The revenue derived from liquors and tobacco, domestic and foreign, during this period yielded $2.50 per head, paying the normal cost of government. Pensions and interest were covered by duties on other imports than liquors and tobacco and by miscellaneous permanent receipts. The Spanish war and subsequent warfare in the Philippine Islands will have increased this average for a period of 4 or 5 years by about $2 per head, having reached $8 in the most costly year, now less than $7. As nearly as I have been able to ascertain the facts, the taxation of the United Kingdom for imperial purposes corresponding to those which I have named during the same period of 20 years varied but little from $10 per head; those of Germany ranged from $8 to $10, it being somewhat difficult to separate the expenditures of kingdoms and duchies from those of the Empire; the expenditures of France were $15, and those of other Europeans countries were all much higher than our own. Under the stress of the Boer war, so far as I can compute from the latest figures on imperial expenditures of Great Britain, they now amount to $18 per head: those of Germany have been very much increased by the effort to increase the army and build a great navy, and those of France have increased. But even these per capita figures do not tell the whole story. Taxation represents a portion of each year's products diverted from the productive energy of the people to the necessary support of the administration, but mainly to the destructive purposes of war or the payment of interest on great war debts. Now the closest estimate per capita, perhaps only approximate, that we can make is that the annual product per capita of this country exceeds that of the United Kingdom by 15 to 20 per cent, perhaps more; it exceeds that of France by 25 to 30 per cent; it exceeds that of Germany by 40 to 50 per cent; how much it exceeds that of Russia it is impossible to compute. Hence, the relative burden upon production which in this country does not exceed 2½ or 3 per cent, must now be in Great Britain at least 8 per cent; in Germany at least 10, and even in richer France burdened by an enormous national debt, not less than 15 to 18 per cent. The nineteenth century was an era of the creation of heavy national debts which can never be met, with the possible exception of the imperial debt of Germany and Great Britain. Now with the difference in the relative burden of taxation for national or imperial purposes, this country has an advantage to-day of more than 5 per cent upon the value of her entire annual product, and that taken by itself is a large profit. We can make 5 per cent in our industries taken as a whole, where no European State can make and save anything. I have made many efforts through the International Statistical Society, of which I am a member, to deal with this subject in an exhaustive manner; but most of the foreign members of this association are in the civil service of their respective States, and they have not dared, and I doubt if they would be permitted, to supply the necessary data or cooperate in such a comparison. Such is the present fear of the productive power of this country entertained by the governing class upon the Continent. I have suggested to the Bureau of Statistics in the Treasury Department and the Bureau of Commerce in the State Department to enter upon this investigation. Only conceive, gentlemen, what this may mean. Except for a temporary interruption by the Spanish war, our taxes would now have been less than $4.50 per head, tending to diminish as the population increased, and with a falling off of pensions by the lapse of time. Many of the provisions of the war taxes may rightly be maintained, the surplus being applied to the payment of our national debt. The present beer tax, present whisky tax, present stamp tax, are a very slight

burden—no burden at all—upon production. If we can maintain the tax on sugar for revenue purposes we may secure the whole $5 per head necessary to the normal cost of government in this simple method of internal taxation. We may then apply duties on imports collected for revenue for about 10 years at the rate of $1 or $1.50 per head, and in less than 10 years we may pay the whole national debt. In other words, we may come out in less than 10 years free of debt at a rate of taxation less than one-half per capita that of any competing manufacturing State, and perhaps only one-third in proportion to production. We should then become, in fact, the greatest world power, by the peaceful forces of commerce, the development of industry, and the maintenance of individual liberty.

In other words, if we let the principle of liberty have its way and maintain it, we will compel competing nations to disarm. As I predicted in my articles on the burden and strength of nations in the Century Magazine more than 15 years ago, if we can make 4 per cent profit before our competitors make any profit, who can compete? High wages and low cost, derived from great natural resources, give us that enormous productive energy and vastly greater product. Where we assess only 2½ per cent on that (which this $5 or $6 would amount to), Great Britain pays 7 or 8 per cent, France 15 per cent, and Germany 12 to 15 per cent, while it takes one-third of the product of Italy to meet the expense of war and government. Northern Italy is devastated with Pellagra, a hunger disease, simply by the diversion of the necessary food to this infernal military system and the attempt to maintain wars of tariffs, generating wars of force.

THE EFFECT OF THE WILSON BILL.

Q. (By Mr. FARQUHAR.) You spoke of the experience of Sir Robert Peel, and that it was finally found that when the tax had been removed from all articles save 6 or 8, that the revenue kept up and that the industries advanced by bounds?—A. Yes.

Q. An examination of the debates will show that this is precisely the ground relied upon by Representative Wilson and stated by him in the final debate on the Wilson bill. Now, the provision based upon that precedent in the case of the Wilson bill was followed neither by the return of the revenue nor by the advance of our industries. On the contrary, our industries lay prostrate and we had a continual deficit of revenue. What is the explanation?—A. My explanation is that I differ wholly with you in your judgment of the results of the Wilson bill. That bill happened to go into force at the time the silver craze was affecting the credit of the country. The panic of 1893 ensued, and the evil influence of that was vastly greater than the beneficial influence of the Wilson bill. But in spite of all that, the specially protected arts which had feared the Wilson bill became more and more prosperous.

Q. Which arts were they? Let us take one for example. What about the pottery industry of the United States?—A. The pottery industry of the United States is half of it in pipes and coarse stuff. In 1880 there were only 9,000 people employed in pottery in the United States, and more than half of them were absolutely free of foreign competition; since then they have been able to apply mechanism to the manufacture of pottery in a way never applied before, and they are to-day paying higher wages and making pottery cheaper than ever before. I do not deny that if you give a bounty to a special industry you will stimulate it at the cost of the masses of the people, but if you are going to tax the whole people of the United States in order to employ half of 9,000 people in pottery I am not with you.

Q. You do not mean 9,000 people?—A. I do mean 9,000 people in 1880, some increase since. You will find that in some of those industries that make themselves conspicuous by their demands the numbers employed are very insignificant. For instance, in 1880 we were making 4,000,000 tons of iron, and iron was the most conspicuous art demanding Government interference. What did it amount to? There were 17,400,000 people occupied in all the arts. There were not 100,000 engaged in mining the coal for the iron furnaces, in mining the ores, or in converting the ores into pig iron. There were not 100,000 people required to make 4,000,000 tons of iron. There are not more than 200,000 people to-day, in my judgment. I have not gone into the figures, but we are making about 14,000,000 tons of iron, but we have increased the average from 400 tons per man to 500 or 600 tons, and I doubt if you can find out of 26,000,000 people now occupied in the arts, over 200,000—possibly 250,000—employed in the mining of coal for iron, the mining of ore, and in the conversion of these materials into the crude forms of pig iron and ingot steel.

Q. (By Mr. LITCHMAN.) Is it fair to select the crude forms of the pig iron and not take the general policy as applied to the entire mining industry and the entire manufacture of iron and steel? Does not the same principle run through from top to bottom and from bottom to top?—A. By admitting the crude product free of duty we might have enabled the well-bred skilled American mechanics to convert these crude forms into the higher forms of mechanism and metal work for export long before we did. These higher arts employ a vastly greater number of men and require more intelligence than the mining of the coal and ore, the making of coke and the conversion of ores and coke into crude iron and steel. These crude branches of work are and always have been conducted under the most squalid conditions. There has been almost no true American labor in them for many decades. They have rendered necessary the importation of Slavs, Poles, Bohemians, Welsh and other men who are not very desirable citizens so long as they stay in these squalid arts. Yet I think free crude iron and steel would have stimulated the production of American iron and steel more rapidly. The disparity in the price of crude metal to the consumers or makers of high-class mechanism or metalwork in this country from 1880 to 1889 averaged $7 a ton. On steel more than fourteen dollars ($14) per ton. This disparity even in constantly lessening prices protected Great Britain and Germany in the great commerce of the world, forbidding exports of high class mechanism to any extent from this country. From the closest estimate that I can make, the sum of this disparity against our machinists and metal workers in the ten (10) years named, amounts to between six hundred million ($600,000,000) and seven hundred hundred million dollars ($700,000,000). The workmen in the iron and coal mines and in the furnaces got very little if any part of this bonus. Can it not be traced in very large measure conclusively into the capital of the steel trust? The pretext of protection to American labor has not been justified—the motive of the ironmasters in advocating this policy has been justified to them by their enormous fortunes. Who has paid this big bill?

Q. Would you be able, however, to give a concession on what you call the raw material or crude manufactured products without giving also a concession on the higher manufactured products? Would you not then bring the higher products into competition with the production of foreign countries?—A. We have proved, especially in iron and metallurgy, that the highest rates of wages in the world are paid here, and yet we beat them all at lower cost.

Q. That was because of the tariff policy?—A. That is a mere academic question. Whether we have done it by means of protection or in spite of protection is not now material. We are there.

Q. Do you consider the condition of this country in 1890 and 1892 one of prosperity?—A. 1892 was one of the most prosperous years.

Q. As a matter of comparison, do you think the condition of this country was prosperous from 1894 to 1896?—A. No.

Q. And you think the tariff has nothing to do with it?—A. Nothing, whatever, to do with it. It was the collapse of credit due to the silver craze.

Q. Is it not a singular coincidence that during the 1892 period we had a protective system, and at the time of the adversity from 1894 to 1896 we had as near to free trade as we can ever have in this country?—A. I think in the next 15 years you will get much nearer to free trade than the Wilson bill ever did. I expect to see this country the greatest free trade country in the world, soon abating all duties not necessary for revenue or in order to protect its own industry. I believe that the evil influence of the tariff is not so much in what it costs in money as in bringing about, as Daniel Webster predicted it would bring about, when he made that great speech in Faneuil Hall in 1820; and if you will allow me, I will just put in that extract. Here is the opinion of Mr. Webster, which he never withdrew. After the protective system had been forced upon New England against her will and her capital had become adjusted to it, the men who had opposed it were obliged to sustain it, as they are now. At this meeting Daniel Webster was the spokesman for free trade and sailor's rights, and among those present were Abbott Lawrence and Nathan Appleton, both subsequently members of Congress and strong advocates of the continuance of protection after they had invested their capital and had been forced into it. Here is what Webster said:

"To individuals this policy is as injurious as it is to governments. A system of artificial government protection leads the people to too much reliance on government. If left to their own choice of pursuits, they depend on their own skill and their own industry. But if government essentially affects their occupations by its systems of bounties and preferences, it is natural, when in distress, that they

should call on government for relief. Hence a perpetual contest carried on between the different interests of society. Agriculturists taxed to-day to sustain manufactures, commerce taxed to-morrow to sustain agriculture, and then impositions, perhaps, on both manufactures and agriculture to support commerce. And when government has exhausted its invention in these modes of legislation it finds the result less favorable than the original and natural state and course of things. He could hardly conceive of anything worse than a policy which should place the great interests of his country in hostility to one another—a policy which should keep them in constant conflict and bring them every year to fight their battles in the committee rooms of the House of Representatives at Washington."

Has not Webster's prophecy been justified?

THE TARIFF AND AMERICAN WAGES.

Q. I have only one question further. Almost without exception the representatives of business interests that have appeared before this commission since I have been a member of it have testified that the removal of the tariff would compel a reduction of their wages. In other words, they could not compete with the manufacturers of foreign countries without a reduction of wages paid here in many lines of industry. If that statement be true, you would still advocate a revision of the tariff that would cause a reduction in wages to United States mechanics?—A. Yes. One reason that I did not propose to come before this commission was because I supposed the usual course would be followed by the men who had some personal interest or ends to gain, who would come and give you exactly that kind of testimony. When I learned you really were doing good work and seeking to ascertain the facts I was ready to come. There are hundreds of manufacturers—and here is one of them (indicating Mr. A. B. Farquhar). Call upon him. He will tell you it is all bosh; that the high rates of wages are generated by the conditions of this country. He will say, give us an equal chance with our competitors in foreign countries, and the readjustment of wages will be to raise them and not to lower them. That is why I am here—for the protection of American labor. Now I refer you to Mr. A. B. Farquhar.

Q. (By Representative GARDNER.) The president of the American Tobacco Trust, so-called, testified here yesterday if the duty was taken off tobacco they would ship the raw tobacco to Japan, manufacture it there, and bring the manufactured product to the United States, and not one single cigarette, cigar, or plug of tobacco, or snuff, or like thing would be manufactured in this country.—A. The manufacture of tobacco is a handicraft, and I think it very possible something of that kind would happen; but who proposes to take the tax or duty off tobacco? I do not know of anybody who has common sense that does not propose to keep it on.

Q. (By Mr. LITCHMAN.) Cigarettes, you are aware, are made almost entirely by machinery.—A. I am aware they are made almost entirely by machinery, and I have no doubt the time is near, if it has not come, when all the cigars will be and all the snuff. Snuff is one of the finest articles of manufacture, but there is little handwork in it. I understand that cigar making and stripping the tobacco are very largely handicrafts now.

Q. In this instance cited by Mr. Gardner it was in a class of manufacture which was not a handcraft, but manufacture by machinery almost entirely.—A. So far as the element of machinery enters into the manufacture of cigarettes and of snuff, I take issue with the president of the tobacco trust. There was a similar fear in regard to watches. It was alleged that the watch trade was going to be transferred to Japan, and great fear was expressed while we were exporting watches to all parts of the world. I happened to know the inside of the watch trade pretty well, and at that time, when the fear was being expressed, the Japanese were here making contracts for the movements of American watches to put into the cases which they proposed to make by handicraft to suit themselves. There is no possible competition of China or Japan, or any other of these countries, in the arts to which modern mechanism has been applied successfully in this country, in my judgment. Now, you take the Bombay cotton mills. They employ three to five hands where we employ one. They can not get along without. We used to import enormously of gunny bags and gunny cloth, but have changed to the importation of jute butts, from which the gunny bags or gunny cloth are made. One of my friends in Calcutta who had witnessed this enormous change came here to find out what was the reason. He went to a great factory in Brooklyn, of which the late Mr. Marshall was the treasurer and manager (a very stout free trader), and went over his mill. He saw these great looms working with one man to the loom on gunny cloth. Said he, "How much does

that man earn?" Mr. Marshall replied, "$1.50 a day." "Why, the weavers in Calcutta only earn 12½ cents a day; I do not understand it. How do you explain it, Mr. Marshall?" Mr. Marshall replied, "What is the cost of weaving in Calcutta a yard of gunny cloth at 12½ cents a day?" He said, "2½ cents a yard." Said Mr. Marshall, "The cost of weaving on that loom is one-half cent a yard." "Well," said my friend, suddenly enlightened, "I have come half way around the world to find out what a d——d fool I have been."

THE TARIFF AND INDUSTRIAL COMBINATIONS.

The subject of trusts is one which I was asked to treat. I have seen more trusts dissolved than organized.

Q. (By Mr. LITCHMAN, interrupting). You have not any special fear of them?—A. I have no special fear.

Q. (By Mr. JENKS.) Perhaps you can tell us in a word or two what you think the influence of the protective tariff has been in the matter of building up some of them?—A. I have no doubt that the protective tariff gives the opportunity for the organization of trusts and combines and monopolies to some extent that would not exist without it. There have been several very old and very obnoxious ones in the chemical industry. If I were up to modern times in history I would name them, but the things have changed so much since I made the investigation that I think I ought not to. Chromic iron, borax, and some of the forms of aniline colors have been among the very worst.

Q. (By Mr. FARQUHAR.) But is it so? We have domestic kinds of these aniline dyes?—A. Yes, we have to a certain extent.

Q. What is the proportion of the sale of foreign product to the American product to-day in this market?—A. That I can't tell you, but the price of the whole is maintained in some measure above the relative price; the price may be absolutely reduced. It is not the absolute price; it is the relative price that hurts. We know our German competitors and our English competitors get these things absolutely free, but many are subject to a higher price in this country, due to the tariff. Although they may be cheaper than ever before, we are still at a disadvantage in the relative cost.

Q. Well, in the case of anilines now; as soon as the Americans were able to command the formula of the German dyes did not we compete equally in price with them, then independent of the tariff?—A. I am not sure to-day; we did not the last time I looked into it, and there are still large imports of many of those articles. We depend very considerably upon Germany for chemicals and drugs. That is what I thought your experts would go into; I have not the time for that sort of thing—to go into the details.

As a matter of general trusts—in my insurance business I have been called upon to know the inside of a great many of them. The cordage trust went all to pieces; I was insuring a very large number of cordage mills in the mutual system at the time it was organized. The minute I got an insight into the purposes of the organization I dropped a number of risks—would not write them any more. The tack trust was another one, and when I knew how and why it was made up I dropped every risk. Both those trusts came to their natural end, and in a very short time many others have or will. Now, on the other hand, there are some other combines where there is very little water, if any; where there has been great economy in doing the work, and which are managed with great skill at lessened cost and lower prices relatively; they have a right to stay. I do not like the methods of some of them, but there might have been no possibility of the low prices that have prevailed either for oil or for sugar or for some other articles except on an organization and combination of the ablest possible men working on a very big scale for the least possible margin of profit. The same in the combination of railroads. Follow the combination of railroads from the time when Vanderbilt organized the first system and you find there has been a steady consecutive reduction in the freight charge, increase of quantity moved, lessened margin of profits, higher wages for the engineers and workmen, and general benefit to the public. I think all those things work out by natural laws, but I do think that in many cases the existence of a protective duty helps maintain a trust that ought not to have that influence; all trusts ought to be made subject to competition with the world.

Q. (By Mr JENKS). We had some testimony[1] some time ago from the head of one of the earlier steel combinations to the effect that although they were exporting steel in large quantities at the present time, he thought it was advisable to have the tariff retained because the rate of freight from Pittsburg to the South,

[1] See Report of the Industrial Commission, testimony of C. S. Guthrie, Vol. I, Part II, p. 955.

to Texas, etc., on the railroads was higher than the water rates from England, and in order to protect them in the Texas and other southern markets he thought the tariff ought to be retained, although it was not needed for them in the Eastern markets.—A. That would be to the protection of Pittsburg, an inland point; but now let it be assumed that you admit Bessemer ores of Cuba, said to exist in enormous magnitude, to Sparrows Point and the South free of duty. Now, suppose you admit pig iron free of duty; let it be assumed that you admit the enormous deposits of recent discovery of the finest Bessemer ores in Nova Scotia now being developed; you then bring the ores of foreign origin to mix with the coal of Maryland and with the ores of Alabama, and you establish a steel manufactory on the coast without that handicap of the long haul over the railroads. Then the coast line steel works will take the exports against Great Britain or anybody else. What is the difficulty with Great Britain? She has depended upon the Spanish ores and the ores of Elba. They are nearly exhausted; they are very much afraid of an export tax of Spain on steel ore of Bilbao. England is working way up in the Arctic region of Sweden to get down the Gallivera iron ores with which to make steel, which is subject to a more expensive haul and longer in cost than the Lake Superior haul to Pittsburg. Give all an even chance, and, as I have said in this iron pamphlet, the paramount control of iron and steel under the free-trade system has come to this country for all time, and the steel works and iron works in existence to-day may next year be unable to supply the world's demand. Ten years ago I predicted that in 1900 all furnaces would be unable to meet the demand; ten years ago, when the product of iron and steel was 25,000,000 tons, I predicted that by 1900, 40,000,000 tons would be required and that the works would not be capable of meeting them. That prediction was justified. I now predict that in 1910, or at the utmost 1915, 60,000,000 of tons will be required, and this country must supply the greater part of the increased amount that will be needed.

IMPOSSIBLE TO ELIMINATE COMPETITION.

Q. (By Representative GARDNER.) Combinations of capital derive a great part of the advantage of combination from the elimination of competition. Is that now a recognized fact?—A. They try to. I do not believe they will ultimately succeed. The railroads try to abolish competition, but it is the competition of product with product in the great market of the world that would compel all the railroads of the United States, even under one head, to move the products at the lowest charge that would give them profit in order to hold their big markets. I do not like to name; there are 1 or 2 other large trusts that have lately been organized, that I know about, that are organized legitimately to save expense, to reduce the cost, and to provide an ampler and better supply. Less than 2 years has passed since one of those very big ones was organized, and they are about to be subjected to competition of new works that make three-fifths as much as all that went into the combine. Competition is the great force that animates trade and commerce. You may try to suppress it by combines and trusts and all other devices, and you may try to stop it by tariffs; all such efforts will fail. It is the law of service, of mutual benefit; it builds up and animates all the arts, in my judgment.

Q. The object of my question was to elicit an opinion from you as a student whether the effect of general and promiscuous competition is to force prices up or down. It has an important bearing on this point. It is claimed that the tobacco trust, for instance, cheapens tobacco because by combining many factories they eliminate competition in bidding. That is one side of the question. They, on the other hand, take your view and hold that competition consists in the amount of the thing wanted, and that it makes no difference whether that amount is bid for by 5 buyers or 500 buyers.—A. If you only want my opinion, I will say my opinion is that competition exists and will continue to exist in spite of every effort to prevent it; that through competition the volume of product is augmented, the cost of each unit is diminished. The rates of wages are raised, and the margin of profit is lessened with the gradually augmented production; the aggregate of products may increase and the aggregate profits may increase, but the margin of profits is diminished. No trust can contravene this law.

THE EFFECT OF COMPETITION FROM PRISON LABOR UPON WAGES.

Q. Whether the wages are raised by competition or not would depend upon the nature of the competition, would it not?—A. Upon its being free.

Q. Well, for instance, you would not commit yourself to the doctrine that competition of prison-made goods raised the wages of a man who made the goods to

sell in competition?—A. Prison competition is not a true competition for the reason that the building and capital are furnished without charge.

Q. Would not that same element in a degree enter into any trade where capital commanded a much less interest, and wages were lower, and the factories were of less value?—A. I can't see that the citation of prison competition, which is so trifling, can have any general application at all.

Q. Well, as a matter of fact, it seems to have entered into the cooperage business of this country?—A. It has caused great discussion and it may have interfered with a few small arts.

Q. (By Mr. LITCHMAN.) It has been testified before the Massachusetts legislature at one time that prison competition in shoe manufacturing in certain lines of goods in that State was sufficient to dictate the price at which goods sold? A. Well, it may in some lines of low-price shoes. I think if you would go to some of the big factories they would totally ignore the competition.

Q. You know the firm of Rice & Hutchins?—A. They are a big company and undoubtedly prison competition has interfered with extremely low priced goods—sometimes called cheap and nasty.

Q. (By Representative GARDNER.) If competition of the prison, getting fuel and factory free, paying small wages, would interfere seriously, would it not be in a degree true that the places and country where less than one-half as much wages are paid and the general cost much lower would work competition of equal disaster and degree?—A. I think not. It would only affect some very small, low grade of goods that require very little skill. I should not regard that type of competition as of any moment whatever; we have surmounted it.

The commission met, after recess, at 2.24 p. m., Vice-Chairman Gardner presiding.

Mr. Edward Atkinson again on the stand and examination resumed as follows:

THE TARIFF ON HIDES.

Q. (By Mr. KENNEDY.) Some witnesses who have been before the commission have testified that the 15 per cent duty on hides has had a deterrent effect upon the efforts of American manufacturers to get their products into foreign markets. I want to ask you what you think about that, and whether you think the duty should be retained upon raw materials?—A. I can not give you any exact data. I should assume that the 15 per cent duty on hides had created a difference in this country as compared to other shoemaking nations, where hides are admitted free, and whatever the price might be at a given time, that disparity in price would be to the disadvantage of exports from this country. I can give you a list of names of men competent to answer directly every question relating to cottons, woolens, hides, and the like, who are substantially at an agreement with me in my views, who are men of very large affairs, who would probably come if asked.

Q. I want to ask you whether you think the 15 per cent duty on hides adds anything to the price which the farmer receives for his cattle?—A. So far as I have learned, it goes to the packers—the big fellows. I do not believe the farmers have ever received an additional cent, but I can not answer that question from fact. I do not think that the duty has benefited the farmers, and I think it has retarded the export of leather manufactures.

EFFECT OF THE TARIFF UPON THE TIN-PLATE INDUSTRY.

Q. I have just one more question I would like to ask. You said this morning that industries grow and thrive in spite of tariffs. I believe that was the remark?—A. Yes.

Q. I want to ask you whether the tin-plate industry in this country, in your opinion, would have grown and thriven without the protection which was given to that industry in the McKinley law and the practical protection which remained for it in the Wilson law?—A. I think it very possible that the putting on of the duty somewhat hastened the transfer of the tin-plate industry from Cornwall to this country. The real fact is that machinery has been adapted in this country to the dipping of the tin plate, which in Wales was a manual occupation, an hereditary art, one of the nastiest, filthiest, although not very unwholesome, one of the most obnoxious arts conducted by handwork. As I recall the art, the plate had to be made of a certain size—could not go beyond that. That was first dipped in acid and then in hot oil, or in hot oil and then in acid, I do not know which, to reduce the surface of the iron to a certain condition; then it was taken and dipped into the melted tin, producing a soot from the oil and rendering

it the dirtiest conceivable work, and by the peculiar inherited aptitude of giving a peculiar swing to the plate the minimum of tin was left upon the iron plate. The tin plates were formerly of sheet iron coated with tin. Now, the transfer to this country has come, first, from our having attained supremacy in the manufacture of thin sheets of steel, and next in inventions which have enabled that whole coating to be done without that manual work, so that great sheets are now coated and then cut up according to order, and you can get much larger plates than you could before.

The duties may have stimulated that change, and that is one of the crucial changes in metal work by which the handwork of Great Britain is superseded by the machine work of this country. It is one of the best examples. Whether it was hastened or not is no longer a matter of any particular importance. It is here, and they are now trying to adapt our machinery to the making of the plates in Wales. They have got to reconstruct the whole machine industry of England, and they know it, have just found it out, and adopt the American methods. The Germans are ahead of them.

Q. (By Mr. LITCHMAN). You know Mr. A. S. Drinkwater, of Massachusetts, do you not?—A. I think I do not.

Q. You know of him?—A. I know of him.

Q. I heard him say that at the time the tariff was taken off hides that the price of raw hides down in South America advanced to the exact amount of the reduction of the tariff. What would you say to that?—A. I should not be surprised if that were true.

Q. Would there be any difference in the price of hides in this country?—A. Relatively the same as abroad. That advance would not enable them to export. It is not the absolute price in everything; it is the relative price in these competing countries that is the point.

EFFECT OF A REBATE ON EXPORTED GOODS.

Q. Now, what effect does a rebate on the exported goods have?—A. A rebate, as far as I know about it, is apt to be a snare and a delusion and exceedingly difficult to collect, sometimes so small that it does not pay the cost to try and keep the figures separate. I framed the first act of rebate on the cotton taxes during the war, coming here for that purpose, to frame the act; we did succeed in exporting a considerable quantity of cotton goods under it. But as a rule rebates are rather a snare and a delusion except to the Standard Oil Company. They do such a large business, and do it on such a large scale that their rebate system is exceedingly well adjusted, and I have no doubt they are getting the benefit of it and are so enabled to sell oil in tin packages cheaper abroad than at home.

Q. Is it not where the article is such that the imported material can be identified that the rebate is an actual benefit?—A. It is where it can be identified, but where it is a little drug or some little small article that you can not define, it costs you more to follow than the benefit; you do not get it.

Q. Can not hides in the manufacture of particular kinds of leather be identified?—A. I doubt if the hides could be traced directly in the shoes.

Q. The point of that was as I say—Mr. Drinkwater is a manufacturer of leather and that was his testimony at that time—the reduction in the duty, at least the abolition of the duty on hides, was followed immediately by a rise of prices.—A. Yes.

Q. When there was no difference in the market condition here in this country?—A. Well, you will, of course, see that that increased the purchasing power of the men who sold the hides, and they could buy more goods of us in exchange; there would be the benefit. Unfortunately, they did not. It is impossible to make the round voyage to South America. We shut out so large a part of the wool and the copper ore and the materials made in South America that would make up the round trip. Mr. Augustus Hemenway, who after the war tried to resume his traffic with Chile, found that he could not do it and had to give it up. He sent out some cargoes of goods to Chile, imported the return cargoes here, entered them in bond in Boston, and sent the dutiable goods over to England, but found that even with that system it was useless; we lost the Chilean market which we formerly controlled when we imported wool and copper ore free of duty, and the copper works of Point Shirley, in Boston Harbor, where there was an established industry, were destroyed, by the exclusion of the raw coppers of Chile. That went to such an extent that a British ship coming in with a suit of new copper in her hold and old copper in her bottom and wanting to make the transfer at East Boston could not take the new copper out without paying a duty, could not take the old copper off without paying a duty; she had

to be sent down to Nova Scotia and have the work done there in order to change the suit of copper from the outside to the inside.

Q. (By Mr. CLARKE.) I understood you to say that the development of the manufacture of thin steel sheets accounted for the introduction of the tin-plate industry?—A. A part.

Q. Now, is it not a fact that that development succeeded the enactment of the McKinley tariff?—A. That was going on at the time of the McKinley tariff. The attention of the steel makers and the plate makers had already been turned, and at the time of the McKinley tariff it was already subject to investigation and was under way.

Q. Is it not a fact that when the tin-plate mills in this country were first opened they had to import their black sheets?—A. Yes; that is true.

Q. Well, it could hardly be true, then, could it, that there was a steel-plate industry here?—A. It had begun. The tin-plate industry would have been promoted at that time by the free import of black sheets.

Q. Was it not constantly contended by the free-trade press and others that we could not manufacture the black sheets necessary for it?—A. Yes, by some people not well up. I told my free-trade friends that they were great fools for talking so; that we could, and should make black plates, and we did. When you come down to that, however, what is the main object? To have tin plate or to make tin plate? Tin plates at the lowest cost are necessary to canning, to roofing, and to an enormous number of branches of industry. I do not suppose the number of people employed to-day in making tin plates in this country could probably be carried up to 5,000. I do not believe that all the tin plate made in this country would furnish wages for 5,000 men.

Q. Witnesses engaged in the industry have testified before this commission that to their certain knowledge more than 12,000 are employed in it directly.—A. Well, we will call it 12,000. It is immaterial. I went over it once; as I say, I am not quite up in recent figures. Call it 12,000, but I doubt the figures; the census will tell us.[1]

Q. You tax the whole community in order to support 12,000? Now, do we tax the whole community?—A. So far as protection to tin plate enters into the cost.

Q. Is it not a fact that the American consumers of tin plate are getting what they want, a better article than they got before the enactment of the McKinley bill, and saving about $10,000,000 a year in the cost as compared with the average price for 10 years before the enactment of that duty?—A. Through the application of science and invention to that art and to every other art. That is true, and it has gone on in spite of or by means of protection, whichever way you choose.

Q. That application did not take place there until the tariff made it an object?—A. I have testified that that application was taking place at the time of the enactment of the tariff. I know it. That development was going on.

Q. (By Mr. FARQUHAR.) You said in answer to Colonel Clarke, that the imported tin plate was steel sheet that you made there. As far as the black-plate question is concerned, what would have become of all the black-plate mills we have now if we had kept on importing?—A. They would have developed the same as all the other steel works we have, by the study of American methods and the ability of American workmen and like causes.

Q. We have had before this commission 5 or 6 of the best expert manufacturers of tin plate in this country, men of free-trade opinions and men of protection opinions, and they uniformly have said that only through that tariff could this business have been established here. I simply draw your attention to that fact that that is the consensus of opinion before the commission.—A. Yes; I admit that it may have been hastened, but it would have come in the nature of things. Like every other art in metal working; in watchmaking, in the making of bicycles, in woodworking, in furniture making, and especially in the art of shoemaking, which has been taxed under the tariff more than any other art in existence; taxed on its leather, taxed on the materials for currying, taxed on the linen thread, taxed at every point, without any possibility of import of any but a few high-priced French and English goods. Yet in all these arts burdened by tariff taxes we have won. Why not in tin plates?

EFFECT OF THE TARIFF UPON THE BOOT AND SHOE TRADE.

Q. (By Mr. LITCHMAN.) Do you understand that the tariff of 25 per cent on shoes——A. Perfectly inoperative, except in the high-priced handmade English shoes and boots. Get a man like Mr. Henry B. Endicott before you and he will tell you that he does not care a rap for the 25 per cent.

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[1] Later note by witness.—"My estimate was too low. Mr. Clarke's about right."

Q. But no less a man than General Draper, ex-ambassador to Italy, stated in my hearing that he was informed by a manufacturer in Great Britain that but for that 25 per cent he would land shoes in Massachusetts.—A. Oh, yes; General Draper is a very intimate friend of mine, and he has got a monopoly in the making of cotton machinery, pretty much.

Q. (By Mr. FARQUHAR.) A monopoly?—A. I mean on certain types, pretty much.

Q. (By Mr. LITCHMAN.) Is not that due to his patents?—A. In part to patents, in part to duties on machinery, in part to a very perfect organization in the Draper shops. I am in very close and friendly relations with General Draper. I should like to have you get some of the large shoe manufacturers like Mr. Henry B. Endicott before you to give facts in rebuttal of General Draper's hearsay.

Q. If that statement of General Draper's was correct, however, that would be an argument for the retention of that tariff, would it not?—A. As far as you would give weight to General Draper's opinion as against mine. His may be a great deal better or mine may be a great deal better.

Q. But then this was the opinion of the manufacturer of shoes in Great Britain and stated by General Draper.—A. Well, the English have only lately waked up to the fact that they do not know how to make shoes compared to us—or machinery or anything else. Now, let me give you a fact. Chauncey Smith was for 14 years the counsel of the McKay waxed thread sewing machine during the duration of the patent. That machine sewed the sole to the upper. The Company never sold a machine. They made their machines, they leased them—they leased them on even terms, payable by stamps. The highest-priced stamp was 4 cents. They kept their machines in repair. The terms were the same in the United States, in Great Britain, France, and Germany, where they were extensively and widely adopted. The revenue during the 14 years in Europe was just two-thirds the revenue from the same machines worked under the same conditions in the United States. What did that mean? It meant that the efficiency of the labor and the high nutrition of the workmen of this country enabled them to do that disproportionate work and earn the disproportionate wages from the same work. Now, there is a fact.

Q. (By Representative GARDNER.) Just what do you mean by high nutrition?—A. The very basis and foundation of the superior energy of the working people of this country in my judgment lies in the abundance and adequate supply of food as compared to every other nation. You can buy the elements of adequate nutrition in Boston, New York, and Philadelphia at a certain rate, in Chicago, St. Louis, and the Middle West at a less rate. Go across the water and in England you will find that the necessary elements of nutrition cost very much more, in Germany yet more, in Italy so much more that they can not have them. Now, in proportion to the feeding of the human boiler with adequate fuel is the development of human energy and power of applying it to mechanism. Mr. Olcott, who has established an enormous machine shop in Berlin on behalf of some of the Germans who came out here lately, who import American machine tools in order to make American machine tools, reported to me that before they could get their machine tools started they were obliged to come over here and hire some high-priced American workmen to go out and start them. They paid them extravagant wages, and they found that the Germans could not do the work. The average nutrition of Germany will not stand the racket, and those workmen are trying to come home because they find a higher cost of subsistence out there and the necessity of paying income taxes and being under constant supervision besides; they want to get home.

Q. (By Mr. LITCHMAN.) Now, you were speaking about the difference in the production of shoes. Has there been any greater advantage in the export than there has been right here at home?—A. They have adopted our machinery, but they do not get the effective service, as I told you.

Q. We had in Massachusetts what was called the Haverhill plan in the manufacturing of shoes, and the Lynn plan, which was widely different, one being a process of production by teamwork and the other by individual work.—A. Yes; the towns differ. Brockton now makes a very good grade of goods.

Q. I take Lynn and Haverhill because they exemplify the two different kinds.—A. And among them all they have developed the boot and shoe industry until it is the principal industry of Massachusetts, exceeding either the cotton or woolen.

Q. Brockton at the present time has a very high grade of shoes?—A. It has improved.

Q. And prices have changed in the process of evolution as widely as they have in Great Britain?—A. Exactly, as they have in everything else.

Q. Going back just a moment to the tin plate, do you recall the production of tin plate in this country in 1889?—A. No; I have not those figures.

Q. I will state it; it was about 1,000,000 pounds.—A. I know it is one of the crucial cases where during the existence of a high protective tariff a special art has made a very great advance.

PROTECTION AND BANKRUPTCY—PRESENT CONDITION OF THE WOOLEN AND WORSTED INDUSTRY.

Q. The imposition of the McKinley tariff in 1890 caused an immediate increase in the production of tin plate in this country?—A. Undoubtedly it increased.

Q. And at this time, if my memory serves me rightly, the figures for 1900[1] are given out to be about 900,000,000 pounds?—A. And for the time being increased the cost to the consumer. It may result in lower prices here and in Great Britain by the application of science and invention as in all other arts. During the interval, if you choose to pay the cost, you can tax.

Q. Well, is it not a wise economic principle to pay the cost to get the industry established?—A. That is just where we part. There are and ever have been few branches that were not of necessity established here without any regard to protection. That is my deliberate judgment: after 40 years of careful investigation, I believe that the protective system of giving a stimulus to special arts by duties on importation has retarded the manufacturing progress of this country; I know from my own experience that it has rendered many of the specially protected arts among the most variable, and has been productive of the greatest bankruptcy. There is hardly a woolen mill in Massachusetts to-day that has not been bankrupt. There are hardly any woolen manufacturers that have not. The worsted manufacture has come up lately, and there we have been depending on Great Britain entirely for the machinery. It is all imported, subject to a high duty. The worsted manufacture has developed, but as you go over the list of woolen manufactures you will find more variation, more fluctuation, more bankruptcy than in almost any other; whereas in boots and shoes you will find steady progress, constant development, and almost no bankruptcies. Now, cotton is much more independent, and yet the cotton industry forced upon New England has, in my judgment, been unprofitable. The average depositor in the old Lowell Savings Bank for 30 or 40 years is better off than the average stockholder in a Lowell factory. Cotton manufacturing has not paid 6 per cent right along. The record of calico print works for 50 years is a record of bankruptcy. Hardly one exists that has not been bankrupt once—some twice.

I want to tell you, I used to be a tariff protectionist of the deepest dye. I am now a free trader for the protection of American labor and the promotion of domestic industry. I was bred as a protectionist, and what wakened me up was when I was a clerk in a store to find that the most skillful cotton manufacturer consigning goods there was a free trader, and had no horns nor hoofs. I began to study the question, and from that time down to this I have found most successful men and the most skillful men in cotton and woolen manufacturing, naming Edward Harris, Jesse Metcalf—men who are dead—naming William Dwight, William B. Green of Norwich, David Whitman, and many others that I can not recall, have been free traders in the interest of their respective manufactures, and that converted me.

Q. (By Mr. Conger.) I would like to go back to this question of machinery for the dipping of tin plate. I understood you to say that our preeminence was now maintained because of the machinery in use for the dipping of the plate?—A. That is as I understand it.

Q. Is it not a fact when the industry was first established here the plates were dipped by hand the same as in Wales, and we had to import workmen to teach our workmen to do that?—A. I should think that probable. I do not know it.

Q. If that is a fact it must be true, then, that the invention of this machinery has followed the establishment of the industry in this country?—A. It has accompanied it, but it was under way before the McKinley tariff. I looked into it a few years ago and sought the records and found out about the inventors. The thing was under way, just as to-day the conversion of coal into power without wasting it on light and heat, which will be the next great industrial revolution, is under way in this country, in Europe, in France, and in England; when that invention comes you can hardly conceive of the industrial revolution that will follow.

Q. Were the inventions in this country made by Americans?—A. Yes; American and English. They were at work in both countries. Wherever there is a want you will have hundreds of inventive heads at work on it.

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[1] Note by witness.—"Product of 1900 less than one-half Mr. Clarke's estimate."

Q. Is it not a fact that the invention of this machinery is a consequence of the establishment of this industry in this country, and is it not quite probable that except for the tax and the following consequence of the establishment of the industry in this country, the machinery would not yet have been invented?—A. It may be as true of that as of the Waltham watch, or Whitney's interchangeable gun machinery, or of the bicycle manufacture, or anything else that is peculiarly an American invention. You may say that at different periods of the history of this country there has been a policy more or less protective or more or less free trade; and accompanying either one of these policies and without any apparent reference to what that policy might be, these pestilent inventors have gone on inventing and inventing just because they can not help themselves. There is as much reason to say the invention of the bicycle was made in this country to the extent that it was because there was a tariff on bicycles, as to make your statement concerning tin plate. It depends on the point of view and what you want to prove. It is like the condition of the negroes down South. You can get testimony, acceptable in any court, to prove that the negro is not fit for anything, and that he is doing all the work; that he can not be trusted, and that he works with the best tools; that he owns no property, and that he is building a good house; that he has no moral character, and that he is attaining a high position. You can get any testimony about the tariff that you want, and you can prove anything that you want to prove by the tariff. But bear in mind figures never lie unless liars make the figures. I simply say the inventions of this country and the development of wages and the application of science and inventive genius have gone on irrespective of the tariff policy; that 80 to 90 per cent of all our manufactures exist here by necessity and not from choice, and that they have been most firmly founded. That is all I have to say. I did not aim to bring this essay in, but that is what I was invited for. I have only now given you a new point of view. My old free-trade friends used to justify free trade and the expected reductions of wages by the increased abundance of commodities. I point out to you that free trade has been accompanied by a rise in wages and reduction in the cost of labor wherever it has been established, especially in Holland and Great Britain, as it will be in this country.

ECONOMIC EFFECTS OF RECENT AMERICAN TARIFFS.

Q. (By Mr. Clarke.) You stated this morning that you are a protectionist?—A. Yes.

Q. But I judge from your most recent remarks that you are a free trader?—A. I am for the protection of domestic industries by taking off the shackles.

Q. Let me inquire if you are in favor of protecting any industry by duties?—A. I would not protect any industry to-day by duties if we were to begin over again, nor would a very large portion of my associates who are up on stilts now. Neither would I adopt a revolutionary method of reducing duties by taking away those stilts too suddenly. I would use common sense in the adjustment of the present bad system to the new conditions in which it serves as a very great obstruction to exports.

Q. If you think duties are an obstruction to exports, how do you account for the very rapid increase in the exportation of our manufactures in the last 3 years?—A. By the fact that through science and invention many of the tariff obstructions have been overcome. The tariff has become inoperative. We have overcome the obstructions in the case of a very large number of industries.

Q. If it has become inoperative and is not in the way, then is it an obstruction?—A. The large duties on iron and steel are inoperative. The little petty duties on scrap iron and scrap steel are still operative—still retard the small industries of the coast. The duties on ore retard the progress of the steel works of the coast.

Q. Is it not a fact that there are very large fluctuations in the price of certain heavy products of steel, like rails, for instance, within a short period of time?—A. There have been, unquestionably. Yes; I predicted that in 1890, when I said the steel and iron works of the United States would be incapable of supplying the demand of 1900; and there will be another great rise in price after a temporary fall, within 3 years.

Q. If the price should suddenly fall so that foreign producers chose to export to this market, would the duty be protective or otherwise?—A. Suppose they were to give steel to us? Suppose, instead of selling us their surplus at a small price, they would give it to us, would you refuse it? Would it not be to the advantage of consumers in this country to have all the iron and steel given to us?

Q. (By Representative Gardner.) What would be the effect on the workers in this country?—A. There would be so much of an increase in converting the

raw material or the crude product into machinery that they would have more to do than they have now and under better conditions.

Q. (By Mr. CLARKE.) You think if foreign producers choose to sell their goods here at a lower cost than we can produce them for, it would be to the advantage of this country to go out of that line of business and receive their goods solely and depend on them?—A. Certainly.

Q. Are you not aware that some years ago when the tariff was pending in Congress, the largest consumers of steel rails in this country memoralized Congress against a reduction of the duty on the ground that they preferred to pay even a little more, if necessary, for the time being, and make sure of having a large home supply, than to be made dependent upon the foreign supply and run the risk of having to pay a permanently higher price?—A. I understand that. Most of those railway men were also in the pool on ores and coal. You take the sugar case in England. Germany and France have the folly to pay a bounty on sugar—make their own consumers pay a very high price—and turn the surplus over to Great Britain at less than cost. Great Britain receives it and has established a big export of preserves and jam and jelly at the cost of the German producers of sugar. If we could have free sugar or at less than cost we would accept it with great pleasure and establish an enormous export of fruits and condensed milk. Only the sugar trust could object.

ECONOMIC EFFECTS OF AMERICAN TARIFFS, 1842–1857.

Q. (By Representative GARDNER.) You have studied this subject in all its lines and, particularly, historically. Is it or is it not historically true that ever since we have been maintaining a tariff that when the tariff was highest our manufacturers were most busy and our country most prosperous; and that the periods when our tariffs were lowest marked—by coincidence, if you please—the periods of idleness and depression in this country?—A. My direct experience and personal knowledge begins in 1842 and goes down through the tariff of 1846, which, being a horizontal tariff, putting up the duties on wool while it put down the duties on goods, had a very disastrous effect. It was attributed to free trade, but it was really due to the advance in duties on wool. I then come down to the tariff of 1857, the lowest ever known in this country, with the largest free list. The period from 1857 to the beginning of the civil war saw the most steady and constant development of the textile manufactures of this country that I have ever known. I do not think there has been any such historic coincidence as you suggest.

Q. As a matter of history, was not the year 1857 the year of the great panic from which we never recovered until the outbreak of the war?—A. It was the year of the great bank panic, in which two of the commission houses to which my goods were consigned suspended payment. That lasted but a few months and was purely a financial panic; did not interfere with the progress of arts and industries, and in 1858 great prosperity had returned. We were building the Lewiston mills and the Indian Orchard mills, and I was familiar with the whole business. From that time until the beginning of the war we saw the most steady progressive condition of prosperity in the textile arts that I have ever known.

Now, if you limit manufactures to the textile arts, that is my reply, but the great body of small industries that constitute the real manufactures of this country have gone on progressing and prospering through all periods without any regard to ups or downs in the tariffs, because the tariff has no effect upon them except as consumers. Go through the list. Take that census list, with 364 titles. If you will allow me, divest your minds of the idea that manufactures are limited to textiles and pottery and glass and iron, when these arts form a very insignificant part, in point of number or value, of the great manufactures of this country. These great conspicuous things have become so audacious, we may say, or so conspicuous, that they obscure the mind, and when the word "manufactures" is used you are apt to think of nothing but textiles, iron, pottery, and glass. How about clothing? The clothing manufacture gives more employment to the masses of the people than the textile manufacture. The wages are a great deal higher and the conditions of life are better. All the American working girls that used to be in cotton mills were lifted up into the higher branches, and the poor foreign sweatshop sewing women are poor because they are poor sewers. Take the making of shirts, for instance. Wages are much higher in making shirts than in the making of shirtings and the conditions of life are better and the girls work under better conditions. In a shirt factory at Troy which I went through, I found that it cost less to make a shirt and stitch it, put in all the buttonholes and put on the buttons and get it ready for the laundry, than it did to launder it and tie it up and put it in a box and get it ready for sale, and the girls were earning

$750 a year; good sewing girls were scarce. There is always room on the front seats in every art. When times are hard no one discharges the skillful hands, but discharges the poor one. I went through a big weaving shed a few weeks ago, where the agent told me he had just taken a census and discharged every weaver not earning a dollar a day; could not afford to keep them. Every one earning a dollar a day and upward was kept, because they made the goods at less cost.

Q. (By Mr. CLARKE.) They were working by the piece, I suppose?—A. By the piece, of course.

THE TARIFF AND INDUSTRIAL COMBINATIONS.

Q. Now, coming to this subject of trusts. This morning I understood you to say the protective tariff made the occasion for the establishment of trusts?—A. I did not say so positively. I left that to Havemeyer. He said the tariff was the mother of trusts. I think that is rather extravagant. I think the high tariff gives an opportunity for the trust to make more of a monopoly than it would have without. I have no doubt the tariff will help the steel combine to keep more of a control than with no tariff. I do not believe you can corner the steel of the world if we take off the duties.

Q. You have shown considerable familiarity with economic conditions in England. What is your opinion concerning trusts or syndicates or combinations or whatever they may be called in that country?—A. There are plenty of them over there. They are not peculiar to any country. They have their ups and downs. The limited liability act gave the opportunity for combinations, but a vastly greater number of such trusts than now exist have wound up in bankruptcy. Absolute publicity of accounts is my remedy for trusts.

Q. You have made some reference to the duties on chemicals in this country? Take that in connection with the subject of trusts. I would like to call your attention to a list of certain trusts which are said to exist in Great Britain. I refer to an article published in the May number of the Protectionist, by its London correspondent. He says that the list has been published in the newspapers of London and is substantially accurate. There is a list of 35 trusts in that country with a capitalization in round numbers of £91,000,000. He goes on to state that there are many other combines besides those in the list, some of which attempt to regulate. and do regulate, the cost of food products and druggist sundries and various other supplies. In this list as given is the United Alkali Company, formed in 1891 from 49 other companies, and with a capital of £8,500,000; the Yorkshire Dye Work and Chemical Company, formed in 1897 from 10 different companies, with a capital of £360,000; the United Turkey Red Company, formed in 1898 from 3 companies, with a capital of £1,200,000; the British Dye Wood and Chemical Company, formed in 1898 from 4 different companies, with a capital of £576,000; the Yorkshire Indigo Scarlet and Color Dyers' Association, formed in 1899, with a capital of £600,000, and made up from 11 companies; the Borax Consolidated Company, formed in 1899 from 7 different companies, with a capital of £3,200,000; the United Indigo and Chemical Company, formed in 1899, with a capital of £250,000. Now, it would seem that the chemical industry, which bears so close a relation to manufactures, has been syndicated in that country more than we have any knowledge of its having been syndicated in this country?—A. To a very considerable extent; and there are a good many more besides. There are more of those combines that have failed than there are that are still in existence.

Q. Then as that is a free-trade country, it hardly remains true that the tariff is responsible for trusts or syndicates?—A. I did not say it was. I did not intend to, and have had no such idea. I say that other people have said that the tariff is the mother of trusts; and that so far as the tariff does prevent the importation of the foreign articles, it tends to help the trust, but the trust would exist, would spring up and go down, according to the ability and methods of its framers, either in a free-trade or protective country; and as I say to you, more of those combines have failed in England than are now existing. I think it is true that more of the trusts that have been organized in this country have been wound up, in point of number, than are now existing; I can see the end of several that are now existing, and the public sees the end, and does not pay any regard to what you call the capitalization, but does pay regard to the amount of inflated paper that is infused under the name of capital and floated by it, and refuses to buy the stuff.

Q. Since they are going to pieces, therefore, you see no special occasion for repealing the duties on foreign articles that compete with the products of these trusts?—A. Not simply because there are trusts in these foreign products would I

pick them out among the industries from which I would take the shackles and grant relief to our people from the burdens. I would deal with the whole tariff.

Q. (By Representative GARDNER.) At one time when the tariff on steel rails was $27 a ton they were selling at $22.50?—A. Yes.

Q. In what way was the tariff a burden to the people?—A. It was not. It had become entirely inoperative except in petty provisions referred to.

THE INDIRECT EFFECT OF THE TARIFF UPON LABOR.

Q. You have said several times, if I have understood you, as against the general tariff system, that the people who could be protected or reached by the benefits of the tariff were comparatively few in number.—A. Yes.

Q. Is or is not the correctness of that statement dependent entirely upon the view you take of the tariff? For instance, to take an extreme case, it would be absurd to say that a tariff could apply directly to a grower of fruit that would perish in two days. Take the strawberry for example, because it could not be imported, yet it is true that Newark has been a splendid market for strawberry growers over a large area of country. In the panic that followed the Wilson law, the workers of Newark, it being a manufacturing town, were idle, and being idle, had no money and could not buy strawberries. Now, if those who contend that the idleness of the Newark factories at that time was due to the low tariff of the Wilson law be correct, then the tariff comes so near affecting everybody as to reach the grower of a fruit that would perish in 48 hours, would it not? If it be true that the industrial stagnation of that time was due to the Wilson law, then did it not affect the growing of perishable fruit as much as the worker in steel?—A. If it was true at that time, that might be said. But I beg to point out to you that I happen to know that a very large number of the principal industries of Newark did not stop and went right on straight through. I think, in fact, only a fraction stopped.

Q. (By Mr. LITCHMAN.) Was it not a fact that in the city of Newark they had free soup houses?—A. I think you are right. There was a considerable amount of idle labor from the effect of that silver craze more than from any other economic phase that has ever been in this country.

Q. You would not admit it was from the tariff policy of the Government?—A. Not the slightest. It had not anything to do with it. Every industry that rested on credit was affected, and there was a change in the tariff policy that happened to accompany it.

Q. You think it was a cause and not a result?—A. A cause and not a result. I testify to you as far as I possibly can, according to my observation, that for 50 years the changes in the tariff have affected a very small number of industries, and have had no effect on the great body of the industries of the country, which have gone on their way without the slightest alteration.

Q. Do you not think the power of labor to consume depends on the wages paid to labor?—A. And the price of the product.

Q. Whatever the price of the product, the power to buy depends on the wages received?—A. Yes.

Q. If labor is idle or is reduced to the absolute necessities of life, it cannot buy, whatever the price?—A. Yes.

Q. Then a condition under which labor is idle is not desirable for the country, is it?—A. No; but let me ask you a question now. During that whole period were not the farmers of the country begging for workmen to come and help them? Was there not work to be done, waiting to be done all through that period?

Q. I will ask you in return—we are both Yankees and it is allowable. Do you think it is a fair proposition to put to a man raised in a machine shop, that he shall go out on a farm that may be thousands of miles distant?—A. No; but let the single men discharged go back to the land and then there will be work enough in the cities for the married men. I put it to you, that neither the one nor the other is an example of the rule. You have to take in the whole condition of the whole country, and not a little exceptional place like Newark where there happened to be a rather large number of protected arts.

Q. The city of Newark is a typical city from the fact that it has a great diversity of interests, and whatever would affect a city like Newark would be said to affect the entire country?—A. I would suggest to you that you take the statistics of the industries of Newark and examine them yourself judicially, and put down on one side those that may be burdened by a tariff or that can not be helped, and put down on the other those that can possibly be protected by a tariff; and I will venture to predict that you will find 75 per cent on the free-trade s[illegible] and not over 25 per cent (even in Newark) on the other.

Q. That might be true, and yet the paralysis of the 25 per cent might affect the other 75?—A. For the moment; but if you had not put them on high stilts by the tariff, they would not have been there. I do not ask to take the stilts away all at once.

EARLY AMERICAN TARIFFS.

Q. It is claimed that but for the protective tariff these industries would not have existed.—A. They might not; but some other better branches would have existed, because you can not buy the foreign goods without exporting our own goods.

Q. Would we not have been reduced to an agricultural country?—A. We have never been from the time of the settlement of the colonies to the present time. The progress of manufactures has gone on from 1750, when Great Britain tried to make it a penal offense to manufacture iron and steel in the colonies, down to the present time. Alexander Hamilton recites in his report on manufactures, that every branch of industry that has claimed protection, except those the product of subsequent invention, has been already successfully established.

Q. Is it not a fact that the fiscal policy of this country from 1789 to the present time has been that of protection?—A. No. Hamilton's tariff and the tariffs prior to 1816 were almost purely revenue measures. They would be scouted to-day as being the most extravagant of free trade. It was not until after the unfortunate war of 1812 and the unwholesome stimulus given to certain few branches of industry by the exclusion of British goods, that there was any real protective effort, and that effort did not take shape really until 1824.

Q. (By Mr. Clarke). Was not the cost of ocean freights very much higher in that day than it is now?—A. Of course it was.

Q. Well, now, was not that cost, coupled with the duties on goods enacted at that time, a greater protection to the goods and manufactured products of this country than any we have to-day?—A. It undoubtedly raised the cost of all imported products, made the cost of living a great deal more than it is now, no doubt about that. Just as fast as the cost of transportation has been diminished we put up a legal obstruction at the mouth of the harbors to prevent the steamers from coming in. Why not forbid cheap transportation by act of Congress so as to make it harder to get a living?

(Testimony closed.)

EXHIBIT 1.—*Classified table of imports for years 1894 and 1899.*

The classified table of the imports for the fiscal year ending June 30, 1900, was not published when this table was made. A comparison is therefore submitted of the classified imports of 1894 and 1899, sugar having been free of duty in 1894.

	Year ending June 30—	Free of duty.	Dutiable.	Total.	Duty.	Ad valorem rate on dutiable.	Total duty.	Total value.
						Per cent.	*Per cent.*	*Per cent.*
(*a*) Articles of food and animals	1894	$244, 104, 731	$31, 727, 243	$275, 831, 974	$9, 965, 776	31. 41	7. 73	43. 33
	1899	88, 930, 552	118, 537, 645	207, 468, 197	78, 757, 947	66. 44	39. 21	30. 27
(*b*) Articles in a crude condition which enter into the various processes of domestic industry	1894	104, 303, 159	22, 340, 114	126, 643, 273	6, 337, 615	28. 37	4. 92	19. 89
	1899	181, 268, 233	36, 842, 708	218, 110, 941	9, 635, 817	26. 15	4. 79	31. 82
(*c*) Articles wholly or partially manufactured, for use as materials in the manufactures and mechanic arts	1894	17, 181, 449	48, 539, 550	65, 720, 999	19, 920, 035	41. 04	15. 46	10. 32
	1899	13, 944, 018	46, 118, 522	60, 062, 540	13, 451, 921	29. 17	6. 70	8. 76
(*d*) Articles manufactured, ready for consumption	1894	10, 825, 800	88, 494, 655	99, 320, 455	50, 200, 927	56. 72	38. 95	15. 60
	1899	10, 108, 391	100, 627, 056	110, 735, 447	52, 605, 533	52. 28	26. 19	16. 15
(*e*) Articles of voluntary use, luxuries, etc	1894	2, 553, 579	66, 544, 140	69, 097, 719	42, 457, 516	63. 80	32. 94	10. 86
	1899	5, 417, 783	83, 646, 981	89, 064, 764	46, 422, 211	55. 50	23. 11	13
Total	1894	378, 968, 718	257, 645, 702	636, 614, 420	128, 881, 869	50. 06	....	....
	1899	299, 668, 977	385, 772, 912	685, 441, 889	200, 873, 429	52. 07	....	....

EXHIBIT 2.—*Analysis of exports, 1895 and 1900 compared.*

Our exports are now listed in bad form in the Government tables, some of what may be called high types of manufactured goods, called "manufactures" in the census, being recited as products of agriculture, while some very crude products of the mine and the factory are listed as "manufactures." I have, therefore, reclassified the exports under suitable titles, which are given in the following table:

	1895.				1900.			
	Articles in a crude condition: Animals, cotton, vegetables, coal, copper and iron ores, logs, marble, etc.	Articles partly manufactured: Flour and meal, dried fruits, salted and cured meats, leaf tobacco, copper ingots, copper and iron bars and sheets, mineral oil, lumber, boards, etc.	Manufactured goods: Textiles, metallic goods, furniture, canned goods, etc.	Total.	Articles in a crude condition.	Articles partly manufactured.	Manufactured goods.	Total.
(a) Products of the field and pasture	$317,063,044	$226,946,224	$21,220,749	$565,230,017	$499,010,465	$312,478,786	$40,998,431	$852,487,652
(b) Products of the mine	17,526,030	58,312,710	36,244,012	112,082,752	32,341,696	98,240,526	152,061,463	282,643,685
(c) Products of the forest	1,813,824	26,471,979	6,540,169	34,826,042	5.020,471	47,276,027	1,149,257	63,445,755
(d) Products of the factory and workshop	94,311	13,378,282	62,107,710	75,580,303	3,207,213	18,346,559	143,823,151	165,376,923
(e) Products of sea and lakes	470,112	1,695,315	3,507,986	5,673,413	180,160	1,343,374	4,998,579	6,522,113
Total	336,967,391	326,804,510	129,620,626	793,392,527	539,760,005	477,685,272	353,030,881	1,370,476,158
Per cent of total	42.47	41.19	16.34	100	39.38	34.86	25.76	100

Proportionate increase in export of each class of products.

	Crude.	Partly manufactured.	Manufactured.	Total.	Remarks.
1900	$539,760,005	$477,685,272	$353,030,881	$1,370,476,158	Experts might vary slightly in making this classification, but the margin of difference would be small.—Edward Atkinson, Boston, August, 1900.
1895	336,967,391	326,804,510	129,620,626	793,392,527	
Increase	202,792,614	150,880,762	223,410,255	577,083,631	
Per cent of increase	60	46	172	73	

EXHIBIT 3.—*Exports from the United States classified and compared for fiscal years ending June 30, 1895 and 1900.*

Destination of exports.	Exports fiscal year ending June 30, 1895.		Per cent to each State.	Exports fiscal year ending June 30, 1900.		Per cent to each State.	Gain in 1900 over 1895.	Per cent of gain.	Imports into United States from each State in fiscal year ending June 30, 1900.		Excess of exports over imports (+) or imports over of exports (−).
	Amount.	Total.		Amount.	Total.				Amount.	Total.	
United Kingdom:											
Great Britain and Ireland	....	$387,125,458	47.94	....	$533,829,374	38.30	$146,703,916	84	....	$159,583,660	+$374,246,314
British colonies:											
British North America	$53,981,768			$97,041,772					$39,867,261		
Australasia	9,914,268			26,725,702					5,453,130		
British West Indies	7,764,178			8,895,164					11,894,520		
Bermuda	821,564			1,119,880					436,661		
		72,481,778	8.98		133,782,518	9.60	61,300,740	38		57,651,572	+ 76,130,946
British dependencies:											
British Africa	5,203,378			16,269,482					1,039,182		
British Honduras	402,933			620,447					198,040		
British Guiana	1,705,631			1,912,814					3,795,358		
Hongkong	4,253,040			8,488,988					1,256,253		
British East Indies	2,853,941			4,892,323					45,355,976		
Aden	....			1,490,662					1,542,335		
Gibraltar	381,875			500,152					....		
		14,800,798	1.83		34,171,868	2.45	19,371,070	131		53,187,144	19,015,276
Total British	....	474,408,034	58.75	....	701,783,760	50.35	227,375,726	49			
Germany	92,053,753			187,370,199					97,330,095		
Netherlands	31,011,775			89,376,676					15,850,969		
France	45,149,137			83,312,687					72,998,631		
Belgium	25,242,530			48,307,011					12,940,806		
		193,457,245	23.85		408,366,573	29.28	214,909,328	111		199,120,501	+ 209,246,072
Total British and principal manufacturing States of Europe	....	667,865,279	82.60	....	1,110,150,333	79.63					
Italy	16,363,125			33,256,629					27,924,176		
Denmark	3,475,326			18,487,991					920,455		
Spain	10,927,069			13,399,680					5,950,047		
Sweden and Norway	4,652,601			10,436,467					4,244,302		
Austria-Hungary	2,125,772			7,046,619					9,080,988		
Portugal	2,971,396			5,886,542					3,743,216		
Small European States	489,969			1,515,977					5,303,594		
		41,005,258	5.20		90,029,905	6.45	49,024,647	119			
Switzerland	....								17,393,168		
Russia, Baltic	5,176,295			6,196,892						74,559,946	+ 15,469,959
Russia, Black	781,561			1,241,425					4,735,612		
Russia in Asia	204,937			3,387,412					2,510,361		
		6,162,793	.76		10,825,729	.78	4,662,936	76		7,245,973	+ 3,579,756
Total Europe and British colonies and dependencies	....	715,033,330	88.56		1,211,005,967	86.86	495,972,637	70			

EXHIBIT 3.—*Exports from the United States classified and compared for fiscal years ending June 30, 1895 and 1900*—Continued.

Destination of exports.	Exports fiscal year ending June 30, 1895.		Per cent to each State.	Exports fiscal year ending June 30, 1900.		Per cent to each State.	Gain in 1900 over 1895.	Per cent of gain.	Imports into United States from each State in fiscal year ending June 30, 1900.		Excess of exports over imports or of imports over exports.
	Amount.	Total.		Amount.	Total.				Amount.	Total.	
Mexico	$15,005,900			$34,974,361					$28,615,881		
Japan	4,634,717			29,087,642					32,724,418		
Hawaii	3,723,057			13,509,148					20,707,903		
Cuba	12,807,661			21,513,613					31,371,704		
Porto Rico	1,833,544			4,640,431					3,078,415		
		$38,004,885	4.70		$108,725,195	7.80	$70,720,310	186		$116,498,321	− $7,773,126
		753,038,215	93.26		1,319,731,162	94.66					
South America—less British Guiana	31,820,304			7,032,907			....	....	89,839,776		
Central America	6,629,369			5,926,579			4,509,813	11	8,630,554		
Philippine Islands	119,255			2,640,449			2,521,194	1,280	....	5,971,208	− 3,330,759
China	3,603,840			15,258,748			11,654,908	324	....	26,896,217	− 11,637,369
		42,172,768	5.22		60,858,683	4.36				98,470,330	− 55,510,844
		795,210,983	98.48		1,380,589,845	99.02	585,378,862	74			
Haiti, San Domingo, French, Danish and Dutch West Indies, Turkey in Asia, Korea, Tonga, French Oceania, French and Dutch East Indies, Africa, not British, and all others	....	12,327,182	1.52		13,596,526	.98	1,269,344			50,530,498	− 36,933,972
Total exports	....	807,538,165	100.		1,394,186,371	100.	586,648,206	73		849,714,670	+ 544,471,701

EXHIBIT 4.—*Exports of the United States 1895 and 1900 compared.*

	Fiscal year ending June 30, 1895.	Fiscal year ending June 30, 1990.	Total exports.	Increase.
United Kingdom:			*Per cent.*	
Great Britain and Ireland	$387,125,458	$533,829,374	38.30	$146,703,916
British colonies:				
Canada, Australasia, British West Indies	72,481,778	133,782,518	9.60	61,300,740
British dependencies:				
Asia, Africa, etc	14,800,798	34,171,868	2.45	19,731,070
	474,408,034	701,783,760	50.35	227,375,726
Germany, France, Netherlands, and Belgium	193,457,245	408,366,573	29.28	214,909,328
	667.865,279	1,110,150,333	79.63	442,285,054
Italy, Spain, and other European States	47,168,051	100,855,634	7.23	53,687,583
	715,033,330	1,211,005,967	86.86	495,972,637
Mexico, Japan, Hawaii, Cuba, and Porto Rico	38,004,885	108,725,195	7.80	70,720,310
	753,038,215	1,319,731,162	94.66	566,692,947
South and Central America	38,449,673	42,959,486	3.08	4,509,813
China	3,603,840	15,258,748	1.09	11,654,908
Haiti, Santo Domingo, French and Danish West Indies, Dutch East Indies, Polynesia, and other small markets	12,327,182	13,596,526	.98	1,269,344
	807,408,910	1,391,545,922	99.81	584,127,012
Philippine Islands	119,255	2,640,449	.19	2,521,194
Total	807,528,165	1,394,186,371	100	586,648,206

Computed by Edward Atkinson.

Official estimate of exports by continents—Foreign commerce of the United States, fiscal year ending June 30, 1900.

Europe	$1,040,167,312
North America	187,299,318
South America	38,945,721
Asia	64,913,984
Oceania	43,390,927
Africa	19,469,109
	1,394,186,371

EXHIBIT 5.—*Export valuations United States to Europe as entered in United States—Imports Europe from United States as entered in Europe.*

In the subsequent table the credits of imports from the United States are given at the valuations put upon them when they reach the country in which they are in largest measure consumed or from which a part are reexported and therefore counted twice—once at the seaport where they are entered, a second time when they reach the interior country to which they are destined. These home valuations, including freights and other charges and duplications, account for the excess of these import valuations over our valuation of exports at ports of shipment. This table possesses an interest in showing the large extent or proportion of the imports from the United States into European States.

Approximate estimates only. Many efforts have been made by the International Statistical Association to establish a uniform system of reporting international commerce, as yet without success.

Statistics of exports of domestic products of the United States to European countries are for the fiscal years ending June 30, 1898, 1899.

Statistics of imports from the United States into European countries are for the calendar year 1898, from statistical abstracts compiled by British Board of Trade.

States of Europe.	United States exports, June 30, 1898.	United States exports, June 30, 1899.	European credit to United States, 1898.	Total imports.
				Per cent.
Austria-Hungary	$5,469,853	$7,148,419	$27,258,435	8.19
Belgium	47,466,600	43,866,076	58,497,335	14.83
Denmark	12,680,619	16,594,809	17,176,656	13.87
France	93,790,717	59,069,112	120,310,410	14
Germany	153,171,100	153,265,513	208,520,368	17.15
Greece	127,559	213,507	750,963	3.35
Italy	10,601,224	12,894,360	32,216,525	11.81
Netherlands	63,417,547	78,727,644	112,283,126	15.55
Portugal	3,532,057	4,130,730	7,606,440	14.44
Russia	7,319,008	8,478,305	25,780,385	8.18
Spain	10,202,389	9,068,995	18,213,117	13.05
Sweden and Norway	6,311,393	12,204,947	6,590,524	3.34
Switzerland	263,970	266,956	14,102,124	6.33
England	534,398,302	505,668,925	630,310,775	34
	948,752,338	911,598,298	1,279,617,183	
The average export of the two fiscal years would closely correspond to the calendar year 1898. That average is			930,175,318	
Discrepancy between the European import valuation and the United States export valuation			349,441,865	

The subsequent table gives the European valuation of their exports to this country:

Imports from European States at the custom-house valuation in the United States—Exports from European States as valued by them.

Country.	United States imports during fiscal year ended June 30, 1898, as entered.	United States imports during fiscal year ended June 30, 1899, as entered.	Exports to United States from Europe as valued at their place of record in Europe.	Proportion of exports to United States, per cent.
Austria-Hungary	$4,716,510	$6,551,256	$5,868,324	1.79
Belgium	8,741,826	10,552,030	9,954,168	2.33
Denmark	211,877	280,198	647,756	.74
France	52,720,848	62,146,056	40,470,170	5.97
Germany	69,697,378	84,225,777	79,220,680	8.86
Greece	910,390	944,521	703,292	4.45
Italy	20,332,637	24,832,746	20,972,731	9
Netherlands	12,525,065	14,457,620	17,476,950	2.87
Portugal	2,605,370	2,975,504	51,732	1.54
Russia	4,539,689	4,540,384	1,552,210	.41
Spain	3,575,565	3,982,363	1,901,050	1.07
Sweden and Norway	2,675,053	2,605,555	385,920	3.56
Switzerland	11,380,835	14,826,480	14,230,662	9.43
England	91,074,102	97,353,020	71,610,435	6.31
	[1] 285,707,145	[2] 330,273,510	265,046,080	
Average import two years on valuations in United States			307,990,327	
Excess compared to valuation in European States			42,944,247	

[1] 46.38 per cent of total imports United States. [2] 47.39 per cent of total imports United States.

Percentages of all their imports credited by European countries to the United States compared with the percentages of all their exports sent to the United States.

Country.	European imports from United States.	European exports to United States.
Austria-Hungary	8.19	1.79
Belgium	14.83	2.33
Denmark	13.87	.74
France	14	5.97
Germany	17.15	8.86
Greece	3.35	4.45
Italy	11.81	[illegible]
Netherlands	15.55	2.87
Portugal	14.44	1.54
Russia	8.18	.41
Spain	13.05	1.07
Sweden and Norway	3.34	3.56
Switzerland	6.33	9.43
England	34	6.31

WASHINGTON, D. C., *May 10, 1901.*

TESTIMONY OF MR. BYRON W. HOLT,

Secretary of the Tariff Reform Committee of the Reform Club, New York.

The commission met at 11.04 a. m., Mr. Phillips presiding. At 3.22 p. m., Mr. Gardner presiding, Mr. Byron W. Holt, secretary of the tariff reform committee of the Reform Club, New York, appeared as a witness, and, being duly sworn, testified as follows:

Q. (By Mr. GARDNER.) Please give your name and address.—A. Byron W. Holt; business address, 52 William street, New York City.

Q. (By Mr. JENKS.) What is your occupation?—A. Secretary of the tariff reform committee of the Reform Club.

Q. Have you prepared a paper for presentation to the commission? If so, you will be kind enough to present that first.—A. (Reading:)

PROTECTIVE TARIFF DUTIES AND TRUSTS.

[By Byron W. Holt, secretary of the tariff reform committee of the Reform Club.]

It ought to be, and perhaps is, unnecessary to explain to intelligent Americans the connection between tariff duties and trusts.[1] Not only is it self-evident to those who think at all clearly on the subject that high-tariff duties, by shutting out foreign goods, make it easier for our manufacturers in any particular line to combine to control prices, but the object lessons of the last few years have been so numerous, so clearly seen, and so generally commented upon, that the fact that the tariff does aid trusts is no longer open to discussion among intelligent men. It is only the extent to which the tariff aids trusts, and by aiding them injures consumers, that can form a proper subject for discussion.

I do not agree with the statement of Mr. H. O. Havemeyer that "The mother of all trusts is the customs-tariff bill," but I do believe that it is the mother of many trusts, and the foster mother of nearly all others. It is but one of the numerous special privileges that make monopoly possible, and monopoly is the mother of all trusts, as I understand the present-day meaning of the word.

But while the tariff is only one of the special privileges which breed trusts, it is, or at least has been, in this country, the most important and the most conspicuous of these special privileges. It is not only responsible for the birth of many of our trusts, but it is responsible for the most of the harm done by them during the last 15 years. It ties the hands of the American consumer while the trusts pick his pockets. It is because of the excessively high protective duties that this country led the way in the formation of trusts and that it to-day has twice as many trusts as, I believe, any other country. If this statement is not true as to the number of trusts, I certainly think it is true as to the extent of industry covered and as to the evils wrought by trusts. The only other countries which have trusts comparable to ours are the protected countries of continental Europe—notably Germany and Austria.

It is certainly easier, in most industries, to form a trust in one country than to form a world-wide trust. Tariff duties, such as this country levies, practically alienate us from the rest of the world, so far as concerns many industries, and make it easier for our producers in any one line to combine, formally or informally, and to put prices up to the import level of the duty-paid prices of foreign goods. This our protected trusts have done extensively. If they have not at any time collected from the American consumers all the tariff has permitted them to collect, it is either because they have not fully appreciated the situation and have not gotten together sufficiently to stop all internal competition, or because the full-limit price would greatly lessen consumption and would not yield as great a net profit as lower prices.

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[1] See p. 625.

These oversights and limitations are being rapidly considered and corrected by the formation of larger and larger trusts. Not only does the modern trust include all competition in one industry, as in tin plate, wire, nails, steel hoops, tubes, pressed steel, etc., but it includes all the allied industries whose plants could be easily turned from the production of one to another of these products. Not only this, it includes some of the industries which produce different but competing products, such as coal, oil, gas, and electricity, for heating and lighting purposes.

It is no longer possible, in many lines, for a victim to escape from a trust by dropping one product and substituting another; the same trust or the same set of men often controls the substitute product. Thus the same set of men now practically controls the supply and prices of petroleum oil, of iron ore, of iron and steel, of coal, of copper, of salt, and of hundreds of products and by-products made from these modern necessaries of industry and life. They also own many local municipal monopolies in gas, electricity, street railways, etc. They also, through mutual ownership and "community of interests," control our principal trunk lines of railroads, nearly all of our lake steamers, and many of our ocean transport lines, all of which are operated for the benefit of themselves and to the disadvantage of their competitors in various industries.

I do not claim that the abolition of tariff duties to-day would kill all or even most of these gigantic trusts. I believe, however, not only that many of them were created to reap the benefits offered by the tariff, but also that except for our absurdly high tariff there would not have been, at least at present, that great accumulation of wealth in the hands of a few which makes easy the formation of great industrial and transportation combinations. It is the unjustly, though perhaps legally, acquired wealth of the protected interests, concentrated in the hands of a comparatively few, which is now being employed to buy up and control the natural sources of production and routes of transportation.

In many industries internal competition has become so great that the tariff can not be utilized unless it is accompanied by a monopoly of natural resources. Thus, not only was the tariff responsible for many of the earlier and smaller trusts, but it has hastened and has thus been instrumental in the formation of the gigantic trusts of to-day, buttressed by tariffs, patents, and natural monopolies. We are now in the stage of trust development where the tariff is being combined with other special privileges in order that trusts may do their worst in oppressing consumers. It is not yet too late to prevent, by abolishing protective tariff duties, the formation of many great trusts now in the chrysalis stage, or to prevent the exaction by existing trusts of the monopoly profits which the tariff now permits them to extort from our consumers.

TRUSTS IN ENGLAND.[1]

In free-trade England there are numerous syndicates and joint stock companies which are sometimes called "trusts." They are, however, with few exceptions, comparatively harmless affairs. They can not control prices unless they can produce at lower cost than any and all other competitors. The maximum price which they can charge for their goods is the price at which foreign goods can be laid down in their own or in any other market. Because they have free trade in their home markets and must meet the lowest prices at which goods manufactured anywhere on earth can be sold, they can exist only so long as they produce cheaply and sell at low prices. Because they are not coddled and nursed by their Government and expect no special favors, except to be let alone, they do not support extensive lobbies in Parliament; do not make great campaign contributions, and do not corrupt politics as do our protected "infants." Thus, though there are trusts in England, they are not only few in number, but they lack the many evil propensities of tariff trusts. That these are substantially the facts is the testimony of nearly all who have investigated trusts in different countries.

Mr. Wilhelm Berdrow said in the Forum for May, 1899:

"As far as England is concerned, it must be admitted that notwithstanding her great industrial activity and a competitive warfare not less than that of other states, the trust system has as yet found but tardy acceptance in that country. This is doubtless due, in some degree, to the thorough application of the principle of free trade; for it is well known that the largest trusts are powerless unless their interests are secured by a protective tariff, excluding from the home market the products of foreign countries."

Mr. Thomas Scanlon, of Liverpool, England, said in a letter to the New England Free Trade League last year:

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[1] See p. 632.

"But, though combinations on a large scale have been attempted in many spheres of industry, notably in the bicycle trade, the salt trade, and some of the textile trades, I am unable to discover any case where the prices of the commodities have been appreciably raised in consequence. * * * That 'trusts' exist in free trade countries as well as in protectionist countries, is undeniable; but while in the former the economy in production, which results from their promotion, goes to benefit the consumer in the shape of reduced prices, in the latter they are identified with high prices to the consumers and large profits to the producers. The 'trust' in itself is a harmless institution; it is the tariff—the element of monopoly—that makes it harmful."

THE EVILS OF PROTECTED TRUSTS—POLITICAL CORRUPTION.

The evils of tariff-protected trusts are not entirely measured by the injury inflicted by artificially high prices, as many people assume. These evils extend into political and social life and even into our colleges.

The protective tariff is responsible for much of the corruption in politics. It is not by chance that Pennsylvania has been for 30 years the worst boss-ridden state in this country. The Camerons and Quays have political power and influence because they serve the protected trusts. It is not by chance that the few labor organizations inimical to the public welfare are centered in the highly protected industries of Pennsylvania. It is not by chance that a large portion of the workingmen employed by the protected trusts are ignorant immigrants working under conditions of semi-slavery. It is not by chance that there are so many millionaires in Congress to safeguard the protected industries. It is because the protected trusts have completely corrupted politics and have sent their agents to Congress, that the protected interests have for years dictated tariff legislation at Washington. As Mr. Henry L. Nelson says, "Since 1875 Congress has not legislated on the tariff; it has simply affirmed or ratified the decrees of the beneficiaries of the tariff. These people have transformed the Government into a socialism, in which they are not merely the favored class; they constitute the only class."

THE EVILS OF PROTECTED TRUSTS—WATERED STOCK.

Of the many other evils traceable to the protected trusts I shall mention but two or three. The tariff is undoubtedly indirectly responsible for a large part of the water in trust stocks. Had there been no tariff to enable prospective trusts to pay dividends on watered stocks, trust promoters could not have offered sufficient inducements to coalesce the naturally antagonistic producers in any particular industry. Not only then is the tariff responsible for many trusts, but it is responsible for much of the water in trust stocks. That this is true is evident not only from the fact that the most highly protected trusts are generally the most highly capitalized, but from the fact that promotors have been unable to form trusts in many industries not actually benefited by tariff duties. Thus, though promotors are at work in the piano industry for the fourth or fifth time in the last six years, their chances of success are not flattering, because the conditions in this industry are such that the tariff has for years yielded but little actual protection, and the manufacturers are unable to see how they could by combining take sufficient advantage of the tariff or of any other special privilege to enable them to receive dividends on more than the actual capital invested; consequently the manufacturers are inclined to laugh at the glowing promises of the promotors, and to hesitate to give up control of their own business.

For similar reasons, trusts have not been formed in such important industries as those of making cabinet organs, boots and shoes, stoves, some kinds of furniture and agricultural implements, and in practically all of our great agricultural products.

THE EVILS OF PROTECTED TRUSTS—JUGGLED STATISTICS.

Another evil which I shall merely mention, though it is in my opinion a more important one than the watering of capital (though both have in part the same object in view—the concealment of excessive profits) is the juggling of prices and statistics, and sometimes the absolute refusal to comply with census laws, when to do so would disclose great profits or unfair or illegal transactions.

Thus the census of 1890 is grossly defective in some particulars, and probably misleading and worthless as concerns the protected trusts. In other words, protected statistics are often misleading or false, and purposely so. In general, I believe they show a higher average rate of wages than is actually paid. On this and other points they have been exposed by Mr. H. L. Bliss, of Chicago.

It will be remembered that the Sugar Trust absolutely failed to comply with our census laws in 1890, and gave no information concerning its business to the Census

Department. After four years of failure to compel the trust to produce statistics, the Superintendent of the Census notified the Attorney-General that further efforts would be useless, as the information, even if received, would be too late for publication. No attempt was made to punish the trust officials. Hence the census abstract of 1890 gravely informs us that the value of our product of sugar and molasses dropped from $155,000,000 in 1880 to $123,000,000 in 1890, and that the value of this product in New York State dropped from $71,000,000 in 1880 to $17,000,000 in 1890. As about one-half of the sugar refined in this country in 1890 was refined in New York State, it is probably that the value of this product in New York was about $100,000,000 instead of $17,000,000 as given by our census. Of course such statistics are worse than worthless. Commenting on "the reticence of the refiners," who were then being guaranteed "profits of $12,000,000 a year" by the United States, the Journal of Commerce and Commercial Bulletin of March 23, 1894, said:

"It is about time that this foolishness were stopped. If there is any reason why the refiners are entitled to protection by the tariff, let them show it. There is little disposition anywhere to deny protection where the cost of production in America is higher than it is abroad, or there are other reasons that place the American manufacturer at a disadvantage. But it is intolerable effrontery that these people should refuse to answer the ordinary census questions that everyone else answers and demand from the Government they defy, and whose laws they trample on, a rate of protection that enables them to divide 22 per cent in a year on their vastly inflated common stock. Let the sugar refiners obey the law or get along without the help of the law."

THE EVILS OF PROTECTED TRUSTS—CONCEALMENT OF EXPORT PRICES.[1]

The concealment of export prices is probably responsible for considerable of the difference between the values of our exports and of our imports, and therefore for numerous editorials on our "favorable balance of trade."

Ten years ago it was comparatively easy to get the export prices of various protected articles, even though they were then often from 10 to 30 per cent below the home market prices. To-day, when great trusts control prices on most of our exports, it is extremely difficult to obtain export prices. The editors of trade papers will no longer talk on this subject, and as a rule will not keep on file foreign exchanges which quote prices of certain American goods in foreign countries. It is only now and then that an employee of a trust or of some export house can be found who is willing to risk betrayal and almost certain decapitation if he talks on this subject.

Nearly all of the information on this point which I have obtained during the last few years has been strictly confidential. In this way I learned a few days ago that tin plate is being extensively offered and in some instances has been sold to manufacturers of cans and packages, to be filled with products for export, at about $1 per box below the price to other manufacturers and consumers. I am not permitted to mention any names. I also learned last week, from an entirely reliable source, that steel rails were sold some three months ago to foreigners at less than $21 per ton. I could specify the exact price, names of both seller and buyer, in an important recent transaction, but am not permitted to do so. These rails were sold with the provision that they were not to be used in the United States. That steel rails are sold for export at whatever the manufacturer can get above $20, and perhaps for considerably less if the time of delivery is remote enough, I do not doubt. The manufacurers' pool or selling agreement, under which rails are now sold for $28, is not effective on rails sold to foreigners or for export. The newspapers of a month or so ago contained the details of a sale of steel rails to an English firm for $15 per ton (allowing for freight) less than the price to Americans. The New York World of April 9, 1901, thus states the case:

"Mr. Charles Thulin, a Pennsylvania contractor, recently secured a contract to supply rails for Russia's great Siberian railway. He asked the leading Steel Trust companies here for bids. They all asked him about $35 per ton, with freight to be added. Mr. Thulin went over to England, sublet his contract to an English firm, and one of the same companies that had asked him $35 plus freight here, sold the rails at $24 a ton delivered in England to the English subcontractor."

The extent to which goods are sold cheaper for export than in the home market is not known to most people, because the trusts—and the protected trusts are the worst offenders—take pains to conceal export prices and practically pledge all parties concerned to keep all such knowledge from reaching the public.

After having investigated this subject for more than 10 years, I have reaced the conclusion that practically all of our manufactured products are sold to foreigners for less than to Americans. The minimum difference is about 10 per cent. The average difference in price is probably 20 per cent, and on our really protected products above 25 per cent.

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[1] See p. 624.

Often we who pay the tariff taxes devoted to nourishing these "infant industries" must pay 50 per cent, and sometimes 100 per cent more for the products of these coddled industries than is paid by foreigners who do not pay our nursing taxes. Thus during the two years ending December 31, 1900, we exported 136,000,000 pounds of wire nails. Had these nails been sold in this country they would have brought $3,650,000 according to the average price of 2.68 cents per pound, given in the Iron Age of January 3, 1901. The Government's statistics tell us that the foreigners paid $3,220,000, or an average of 2.44 cents per pound. As nails were being sold for export in December, 1899, at $2.14, when they were being sold here for $3.53 per keg, the highest price within ten years, it is probable that the average export price for 1899 and 1900 was about 2 cents per pound; that is, our petted Steel and Wire Trust charged us about $1,000,000 more than it charged foreigners for the same quantity of nails in these two years.

Was not this $1,000,000 of excess profit extracted from our people by means of the tariff? Is legalized robbery too strong a term to apply to such profits? If the people knew that they were being robbed of hundreds of millions of dollars in this way every year, would we not soon have the tariff in politics again? Are not the protected trusts wise when they do their utmost to suppress such facts and to keep them from the people?

Perhaps I may be permitted to remark here that when I learned that your commission was going to investigate the trusts I indulged the fond hope that, with your power to compel witnesses to testify, you would bring out these most important of all facts regarding trusts; that you would compel hundreds of trust officials to disclose actual export prices, and actual profits and capital (which but few outsiders know), in addition to their rambling generalizations, which do not greatly concern outsiders.

THE UNITED STATES STEEL CORPORATION.

A brief study of a few specific trusts will show to what extent the tariff now fosters and protects them, and the difference between a really protected trust and an unprotected one in power to control production and prices.

The greatest of all our trusts would be a Sampson with his hair shorn if it were deprived of tariff protection. It might, because of other special privileges, continue to exist without tariff duties; but it would probably cease to pay dividends on its common stock, and in time would probably cut down its capitalization.

The original capital of the United States Steel Corporation consisted of $304,000,000 of bonds, $425,000,000 common stock, and $425,000,000 preferred stock. This was issued to exchange for the stocks and bonds of the eight companies in the original combination and for $25,000,000 in cash. Since then $72,355,280 of common and $70,828,890 of preferred stock has been authorized and is in process of issue. These are to exchange for the stocks of the American Bridge Company and of the Lake Superior Consolidated Iron Mines. This makes a total of $1,297,184,170 of stocks and bonds to be exchanged for a total of $894,988,800 of stocks and bonds of the constitutent companies. Thus the new capitalization exceeds the old by $402,195,370, or an increase of 45 per cent. A fair estimate of the value of the actual assets of the old companies, aside from their special privileges or monopoly powers, was that two-thirds of their capital was water. As the consolidation of these companies has added nothing except $25,000,000 cash and an increased monopoly power to the value of these consolidated companies, it is fair to say that the actual visible assets of the United States Steel Corporation are only about $300,000,000, or the amount of its bonds, and that all of both kinds of stock is what is commonly called water. That is, the visible assets constitute 25 per cent and the invisible assets 75 per cent of the value of this great corporation, according to its capitalization. That this estimate is not a wild one is probable from the statistics of the census for 1890, grossly inaccurate though they probably are. These show that the total capital then invested in the iron and steel industry was only $414,000,000. Supposing that the capital invested has since increased 46 per cent, it would now be about $600,000,000. The trust probably does not control more than 40 per cent of the capital invested, for there are many lines of goods which it does not touch. Add to its iron and steel holdings $60,000,000 for the actual value of its other holdings, and the sum will not much exceed $300,000,000. In this estimate no allowance is made for "good will." Indeed, it is not certain but that something should be deducted for "ill will," when, in the opinion of advertisers, "Not made by a trust" enhances the values of goods. The American people are now (May 8) paying par for this preferred water and above 50 for the common water, and the indications are that they are taking all they can get at that figure. This gives a value of $725,000,000 (deducting the $25,000,000 of cash) to the water in this great corporation. What gives this water such great value? Is it not clear that practically all of it is due to the monopoly power

of this giant? To what else can we attribute this value except "good will," which, as we have seen, may take from, rather than add to, the value of trust securities?

Just how much of this $725,000,000 comes from the monopoly conferred by the tariff it is impossible to say. That a very large portion of it arises from the tariff will be evident from an inspection of the earnings of some of the constituent companies.

THE TIN-PLATE TRUST—COST OF THE TIN-PLATE INDUSTRY.[1]

Partly because the protectionists consider the tin-plate industry in this country as the product of protection, and because it is a model and well-developed tariff trust, I will begin with this branch of the great steel corporation. Certainly, if the protectionists have a case anywhere it is in the tin-plate industry.

In the first place, it is instructive to inquire how much American consumers have paid in the last ten years in order that this industry should be established.

The duty on imported tin plate was 1 cent per pound previous to July 1, 1891; then 2.2 cents until October 1, 1894; then 1.2 cents until July 24, 1897; since then 1.5 cents per pound.

I have a table here showing the total pounds of tin plate used, imported and domestic produced, the price per pound of foreign plates in bond, the New York price of American tin plate, and a column showing the difference between these two prices.

Table showing consumption and prices of tin plate. (*a*)

Fiscal year.	Total pounds used.	Price per pound—			Cost of industry.
		In bond.	New York.	Difference.	
		Cents.	*Cents.*	*Cents.*	
1891	1,036,489,074	3.6	5.1	1.5	$15,547,336
1892	435,822,921	3	5.2	2.2	9,588,104
1893	728,245,104	2.9	5.1	2.2	16,021,392
1894	593,384,293	2.7	4.9	2.2	13,054,453
1895	701,840,011	2.5	3.9	1.4	9,825,760
1896	692,367,604	2.4	3.5	1.1	7,616,044
1897	677,055,746	2.4	3.2	.8	5,416,446
1898	853,336,373	2.3	3	.7	5,973,355
1899	899,856,314	2.4	3.4	.9	8,998,563
1900	[1]897,963,804	3.3	4.7	1.4	12,571,493
Total					104,612,946

a Domestic production estimated at 750,000,000 pounds.

The price of imported plates in bond at New York is obtained by adding one-tenth cent per pound to the foreign or invoice price, as given in the "Statistical Abstract." This amount covers transportation charges. The New York price is the actual price at which Bessemer coke 14 by 20 tin plate sold in New York in each year. The difference column shows how much more the wholesale buyer paid for tin plates in New York than he would have paid had there been no duty.

Rebates on reexported tin plates in manufactured forms (the exact figures are not attainable) reduce this total to between $90,000,000 and $95,000,000 as the direct cost in the last ten years of "creating" the industry. This is the extra amount paid by wholesale dealers and metal workers; but by the time they were repaid by the American people, who ultimately bought the goods and footed the bills, the addition of legitimate profits swelled the amount to over $100,000,000.

Our people paid this for a competitive industry which promised to put prices down; they got for their money a monopoly which arbitrarily marks them up.

FORMATION OF THE AMERICAN TIN-PLATE COMPANY—ITS EFFECT UPON PRICES.

In 1898 the industry was well on its feet, and capable of existing without tariff support. In November of that year the price at the mills in Pittsburg had fallen to $2.65 per box, which was within 5 cents of the price of foreign plates in New York, without duty.

During 1898 negotiations were begun to form a company that should control all the plates of the country. These negotiations were finally successful, and in December the trust was launched, under the laws of New Jersey, as the American Tin Plate Company.

It was capitalized at $50,000,000—$20,000,000 preferred and $30,000,000 common stock. It contained about 40 plants and 280 mills. The total cost of duplicating these mills in 1898 (about $20,000 per mill) was not more than $6,000,000. The

[1] See pp. 629–630.

value of the real estate purchased and the cash with which the trust began business probably made the actual value of the assets of the company, at its foundation, between $10,000,000 and $12,000,000. The price paid for these plants is said to have been $18,000,000 of common and $18,000,000 of preferred stock.

While this company may not be legally a trust, in the original sense of the word, its executive committee is cleverly constructed to perform the work of actual trustees. The members can not be removed by the board of directors, and have almost absolute control. Stockholders can not examine the books of the company.

This trust now owns practically every mill in the country making tin plates for the general trade.

To maintain its monopoly, it has five-year agreements with the six or eight manufacturers of tin-plate machinery which prevent them from making mills for outsiders. It is therefore nearly impossible for outsiders to obtain the necessary equipment for tin-plate plants. Furthermore, the trust, even before the formation of the United States Steel Corporation, was so interlocked with the other trusts which produced tin-plate bars that it is doubtful if any real competitor could have obtained bars and other raw materials. Thus the National Steel Company—capital, $59,000,000—was organized in the interest of the American Tin Plate Company, and for the purpose of controlling the production of tin-plate bars.

When the trust was being formed, in November, 1898, what were said to be conservative and carefully prepared estimates of sales, earnings, and profits for 1898 were made public. These estimates were as follows:

The gross output of the mills was stated to be 7,633,556 boxes. On the basis of the then operating expenses a profit of 35 cents a box, or $2,671,754, was made by the mills when prices of tin plate were lowest. Under the new arrangement the operating expenses were to be reduced by $1,000,000, making a total estimated profit of $3,671,754. After deducting $1,260,000 for dividends on the preferred stock, $2,441,754 would be left for dividends on the common stock.

When these estimates were published tin plate was selling at $2.65 at the mills, or $2.80 in New York, for 100-pound boxes.

Table showing average prices of 14 by 20 (100) coke tin plate at New York in 1898–1901.

Date.	American.	English (in bond).	Difference.
1898.			
June	$2.85	$2.50	$0.35
July	2.80	2.50	.30
August	2.80	2.50	.30
September	2.80	2.55	.25
October	2.80	2.50	.30
November	2.80	2.60	.20
December	2.90	2.60	.30
1899.			
January	3.20	2.60	.60
February	3.55	2.65	.90
March	4.00	2.70	1.30
April	4.07½	2.80	1.27½
May	4.07½	2.90	1.17½
June	4.07½	3.10	.97½
July	4.35	3.60	.95
August	4.60	3.70	.90
September	4.85	3.65	1.20
October	4.82½	3.65	1.17½
November	4.82½	3.70	1.12½
December	4.83½	3.62	1.21½
1900.			
January	4.84	3.70	1.14
February	4.84	3.84	1.00
March	4.84	3.81	1.03
April	4.84	3.81	1.03
May	4.84	3.72	1.12
June	4.84	3.60	1.24
July	4.84	3.57	1.27
August	4.84	3.49	1.35
September	4.62	3.43	1.19
October	4.19	3.37	.82
November	4.19	3.28	.91
December	4.19	3.14	1.05
1901.			
January	4.19	3.02	1.17
February	4.19	3.17	1.02
March	4.19	2.95	1.24
April	4.19	2.95	1.24
May	4.19	3.15	1.04

Not only did the trust advance prices immediately, but in March, 4 months after the trust was formed, it had them within one-fifth of a cent a pound of the importing point, the duty being 1½ cents. The trust raised prices at the mills on July 14 to $4.37½, and again on August 26 to $4.65. Although this then made the price at New York 30 cents under the importing price for 100-pound plates, it was so near the importing price for 80-pound plates that the trust feared to mark prices up again at that time.

To what extent were the advances in price justified by the increased cost of raw materials? In the first place it is not true, as often asserted in pro-trust papers, that the advances were caused by the increased cost of raw materials. On the contrary, the advances in price of tin plates preceded the advance in billets and tin. Thus, from November 15 to January 6, 1899, tin plate advanced 35 cents a box, while the rise in raw materials was only equal to about 14 cents. From November 15 to February 17 tin plates were marked up 85 cents, while the advance in raw materials was only 30 cents per box. From November 15 to March 8 prices of plates were marked up $1.22½, less than half of which was explained by the prices of materials. From November 15 to October 6 tin-plate prices advanced just $2, although the advance in prices of raw materials justified a rise of only $1.55, or of $1.75 if, as the trust apologists claim, labor had advanced 20 cents a box. Thus it is clear that the trust advanced prices arbitrarily, and with more regard to the price at which foreign plates could be imported under a protective tariff than to the increased cost of Bessemer bars, themselves the product of another tariff trust, which also arbitrarily advanced prices.

From careful estimates based on the stated profits of 1898, the profits of this trust in 1899 were not less than $4,650,000, even if the trust did not, as anticipated, save $1,000,000 by the trust method of production. The statement for 1900 shows total profits of $5,857,417, from which $1,500,000 was deducted for depreciation. While I do not believe that $4,357,417 is the full amount of profits that should be fairly credited to this trust, I shall accept these figures.

The tariff was most certainly responsible for all of this profit. In fact, the tariff on tin plate is probably responsible for much of the profits made by the National Steel Company, and several of the companies which produce the raw material of this industry. As the trust, at least for a part of the year, was supplying plates for export at about $1 a box below the quoted prices, it certainly did not need more than a duty of one-half cent per pound to protect it from foreign competition. That it utilized about all of the duty is evident from its prices compared with the in-bond prices of English plates. That it did not show greater profits in 1900 is probably because of juggled bookkeeping or of some other kind of juggling which I do not pretend to understand. I will suppose that the tariff profits of this trust were $4,000,000.

THE AMERICAN STEEL AND WIRE COMPANY.[1]

The American Steel and Wire Company is another of the companies that are now a part of the United States Steel Corporation. That it is leaning heavily on its tariff crutches in this country, and using them as clubs to beat down its rivals in all other countries, is evident from facts, some of which were stated to this commission by Mr. John W. Gates.

Going no farther back than 1895, we find the Consolidated Steel and Wire Company, an Illinois corporation of 1892 with $4,000,000 capital, as the barbed-wire trust, with Mr. John W. Gates as manager. Various pooling agreements were formed in 1894, 1895, and 1896, between all of the barbed-wire manufacturers; but they were only temporarily successful in producing higher prices.

The Export Barbed Wire Association, composed of four principal exporters, was in force several years previous to 1895 and did much to steady prices. It was partially revived in 1896.

In September, October, and November, 1895, "prices were fixed by agreement," as the Iron Age stated, and were $2.85 per 100 pounds for barbed wire. The previous April the price was $1.90. The average prices for previous years were: 1894, $2.18; 1893, $2.55; 1892, $2.29; 1891, $2.72; 1890, $2.97. In December, 1895, the combination broke and prices fell to $2.

Early in 1895 wire nails were selling at a "base" price of 75 to 80 cents a keg in Pittsburg. In May 2 associations, 1 for cut and 1 for wire nails, got together and put this price up to $1.20. These associations pooled, and the wire-nail people "contributed financially to enable the Cut Nail Association to keep control of the market, especially in the payment of subsidies to keep idle the large number of cut-nail machines," as the Iron Age of December 3, 1896, tells us. The associations regulated the amount of nails offered for sale each month and the price at which they should

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[1] See pp. 631-632.

be sold. Understandings were had with Canadian manufacturers. Nail machine makers were subsidized not to sell to those outside the associations. Jobbers who did not cut prices were given rebates.

Prices were advanced almost steadily for 1 year. By May, 1896, wire nails were selling at $2.70 per keg in Chicago and $2.55 in Pittsburg. The pool held together until December, 1896, when prices broke more than 1 cent per pound.

On December 3, 1896, the Iron Age said that high prices of cut and wire nails had reduced consumption from over 9,000,000 kegs in 1891 and 1892 to less than 8,000,000 in 1895, and in 1896 to probably "far less than in 1895, notwithstanding the fact that a large amount of nails had been exported into foreign countries at less than half the price that the American public paid for their nails."

It is often difficult to ascertain the exact export prices. In November, 1896, however, it is a fact that the price to foreigners was $1.30, while the price to Americans was $2.70. At least one dealer bought a large quantity of nails at export prices, and after shipping them to Amsterdam and back and paying freight and other charges both ways, made a handsome profit while underselling the trust in its own market. He, however, was boycotted by the trust, and was thereafter unable to buy nails at any price either as an American or as a foreigner. The exports for the fiscal year 1896 were 28,762,187 pounds.

Agreements were broken and patched up in 1897 and 1898. In April, 1898, the American Steel and Wire Company of Illinois was formed with $24,000,000 capital. It contained 14 mills, 7 of which constituted the Consolidated Steel Wire Company, formed in 1892 with $4,000,000 capital. This trust was not large enough to fully regulate production and prices. It was swallowed up by the new American Steel and Wire Company, a New Jersey corporation formed on January 13, 1899, with $90,000,000 capital, $40,000,000 of which is 7 per cent cumulative preferred stock. This trust includes practically all of the wire, wire-rod, and wire-nail mills of the country. The value of the 26 plants and other property absorbed is about $20,000,000, which, even admitting the $18,000,000 other capital claimed, would leave over $50,000,000 of water. It owns its own sources of supply. Its monopoly conditions and advantages were thus set forth in March, 1899, by its president, Mr. John Lambert:

"It will not be necessary to make any further purchases, for the reason that we have all the producing capacity that we need. It has been our policy to so fortify ourselves that we are practically independent, or, if you please, to put ourselves in a position to take the ore from our own mines, transport it in our own vessels, convert it into pig iron in our own furnaces, roll it into steel billets in our own steel mills, roll it into iron rods in our own rod mills, and finish it in our own mills into plain and barbed wire and all the different kinds of wire used, not only in the United States, but all other countries where wire is used. In this way we have succeeded, as we own one of the best ore mines in the Mesaba range. We have our own coke mines and coke furnaces, so that you will see that we start at the bottom and have all the profits that there are from ore to finished material. Our business is entirely satisfactory and the company is doing very well."

The trust has a monopoly of the drawn and barbed wire business, but has considerable competition in woven fence wire. It also does a large business in copper wire and electrical goods and in fencing, poultry netting, baling wire, and bale tires.

The actual output in 1898 of all the plants now in the trust was:

Wire rods	net tons..	826,840
Drawn wire	do....	1,130,124
Barbed wire	do....	275,918
Wire nails	kegs..	6,551,737
Woven-wire fencing	miles..	10,000

EFFECT UPON PRICES OF THE FORMATION OF THE TRUST.

The effect of this trust upon prices has been almost marvelous. The following tables of average monthly prices are from the Iron Age of January 4, 1901:

Tables showing Chicago (and New York) "base" prices of wire nails and barbed wire.

WIRE NAILS PER KEG.

Month.	1900.	1899.	1898.	1897.	1896.	1895.	1894.	1893.
January	$3.53	$1.59	$1.35	$1.50	$2.42	$0.95	$1.172	$1.572
February	3.53	1.73	1.57	1.45	2.42	.95	1.20	1.55
March	3.53	2.09	1.55	1.50	2.57	1.00	1.15	1.65
April	3.28	2.25	1.47	1.45	2.55	.95	1.00	1.65
May	2.53	2.35	1.45	1.422	2.70	1.10	1.072	1.60
June	2.48	2.60	1,43	1.422	2.70	1.50	1.20	1.50
July	2.43	2.70	1.36	1.35	2.70	1.95	1.20	1.472
August	2.43	2.80	1.36	1.372	2.70	2.20	1.15	1.472
September	2.35	3.10	1.45	1.50	2.70	2.40	1.10	1.472
October	2.35	3.20	1.472	1.522	2.70	2.40	1.05	1.40
November	2.35	3.28	1.40	1.50	2.70	2.422	1.05	1.30
December	2.35	3.53	1.372	1.50	1.60	2.422	1.00	1.272
Average for year	2.76	2.60	1.45	1.46	2.54	1.68¾	1.114	1.50

BARBED WIRE PER HUNDRED POUNDS.

Month.	1900.	1899.	1898.	1897.	1896.	1895.	1894.	1893.
January	$4.13	$2.05	$1.90	$1.90	$2.022	$1.90	$2.25	$2.65
February	4.13	2.25	1.90	1.85	1.972	1.90	2.25	2.60
March	4.13	2.622	1.90	1.90	1.95	1.95	2.30	2.60
April	3.88	2.80	1.872	1.80	2.05	1.90	2.20	2.60
May	3.13	2.95	1.80	1.80	2.15	1.95	2.15	2.60
June	3.13	3.20	1.80	1.75	2.00	2.10	2.20	2.55
July	3.10	3.30	1.80	1.75	2.00	2.15	2.25	2.522
August	3.10	3.40	1.80	1.65	1.90	2.55	2.25	2.50
September	3.00	3.672	1.80	1.80	1.85	2.85	2.20	2.45
October	3.00	3.772	1.822	1.80	1.85	2.85	2.15	2.40
November	3.00	3.88	1.822	1.80	1.85	2.85	2.00	2.40
December	3.00	4.13	1.822	1.80	1.95	2.00	1.90	2.35
Average for year	3.39	3.17	1.85	1.80	1.96	2.25	2.18	2.55

The duty on wire nails from 1890 to 1894 was from 2 to 4 cents per pound; from 1894 to 1897, 25 per cent; since 1897, one-half to 1 cent per pound.

The duty on barbed wire from 1890 to 1894 was six-tenths of a cent per pound; since 1894, four-tenths of a cent per pound.

The duties on other products of this trust are generally higher than those on wire nails.

Mr. Gates told your commission that goods were sold lower to foreigners, but he failed to state the difference between the home and export prices. Late in 1899, when wire nails were being sold at from $3.10 to $3.53 per keg to Americans, large quantities were being exported at from $2.14 to $2.20. At the same time, when barbed wire was being sold to Americans at $3.67 to $4.13 per hundred pounds, it was sold to Canadians for $3.25 and to more remote foreigners at $2.20 per hundred. Our exports of wire nails and of wire were as follows:

Table showing exports of wire nails and wire.

Fiscal year.	Wire nails.	Wire.	Fiscal year.	Wire nails.	Wire.
	Pounds.	*Pounds.*		*Pounds.*	*Pounds.*
1893	2,300,501	42,798,043	1897	9,941,714	107,729,155
1894	3,233,776	44,778,268	1898	22,894,099	137,054,694
1895	4,367,267	61,093,717	1899	51,233,212	215,194,475
1896	8,031,927	70,928,766	1900	84,635,468	236,772,806

On December 2, 1899, Canadian Hardware, a Montreal publication, said:

"Retail dealers in the United States pay $3.70 f. o. b. Cleveland for car lots for barbed wire and $3.80 for less than car lots, while the figure quoted to the retail trade in Canada is $3.25 f. o. b. Cleveland for car lots and $3.35 for less quantities. * * *

"Plain wire is quoted to the Canadian dealer $11 per ton lower than to the home dealer.

"The explanation of these differences in prices is that in the home market, on account of the high customs tariff, the United States manufacturer has a monopoly, while in catering for the Canadian trade he has to bring his prices down to a point that will keep out the product of British and German manufacturers."

PROFITS OF THE STEEL AND WIRE TRUST IN 1899 AND 1900.

The balance sheet of the Steel and Wire Trust for 1899 shows net profits of $12,162,530. What part of this amount is due to the tariff it is impossible to say. Only a rough estimate is possible. About 700,000,000 pounds of wire nails were sold in 1899 in our home market. Perhaps at no time was the export price within 50 cents per hundred pounds of the American price. The average differences probably considerably exceeded one-half cent per pound, the minimum duty on wire nails. All of the duty, therefore, is utilized by the trust, and we paid $3,500,000 more for our wire nails in 1899 than we would have paid had there been no duty. Perhaps 1,800,000 tons of barbed wire were sold here in 1899 at an advance over the export price of at least the full amount of the duty, which is four-tenths of a cent per pound. The tariff then costs us about $1,440,000 on barbed wire. On 400,000 net tons of drawn wire in various forms sold to Americans the duty of from 1¼ to 2 cents per pound was probably one-fourth utilized. Thus our bill for this wire was about $3,000,000 greater because of the tariff. Putting these items together we get a total of about $7,940,000 as the cost to us, and the profits to the trust, of this needless protection.

In 1900 this trust claims to have made only $7,000,000 profit. It is probable that at least $5,000,000 of this $7,000,000 could be credited to tariff duties. It is certain that free trade in steel and wire would have dealt a staggering blow to this trust at any time before it was absorbed by the billion dollar combination. Now free trade would only diminish the profits of the greater trust by from $5,000,000 to $8,000,000 a year.

UNITED STATES STEEL CORPORATION'S PROFITS.

We have estimated the tariff profits collected by the tin plate and steel and wire trusts at about $12,000,000 a year. There were eight other great corporations consolidated into the United States Steel Corporation. It is probable that some of them utilize the tariff almost as fully as the trusts considered in detail.

We consumed about 2,000,000 tons of steel rails in 1900. The duty on rails is $7.84. At least $5 per ton of this duty is used by the steel rail pool. It is indeed probable that the average price of rails exported was considerably more than $5 per ton below the home-market price. Our steel rail tariff bill is therefore about $10,000,000 a year.

We consumed about 500,000 tons of structural steel beams in 1900. The Iron Age of January 3, 1901, says that "a foreign trade has been built up, and this promises to increase right along. As in the case of other material on which there are price agreements, prices fixed by the beam pool do not apply on material for export, and the result is that much lower prices are being made on export business than on domestic." I think it entirely safe to say that the six leading mills which constitute this five-year-old pool have utilized every dollar of the $11.20 per ton duty. At $10 per ton our structural steel tariff bill is $5,000,000.

The trusts in steel plates, sheets, hoops, bars, skelp, tubular goods, and other kinds of iron and steel goods made by the Steel Corporation have all been making hay while the tariff sun shines. It is entirely reasonable to suppose that one-half of the $108,000,000 profits made by the constituent companies of the steel corporation in 1900 were tariff profits absolutely unnecessary to protect any of these industries. In fact, it is certain that if prices had been lower, consumption would have been greater, and the hundreds of mills in these trusts would have been busier. The tariff served no good purpose except to enable these trusts to pay big dividends on watered capital.

ATTITUDE OF CERTAIN MANUFACTURERS TOWARD THE TARIFF.

Before leaving this great steel trust I wish to quote a part of the letter of F. A. Wilmot, president of the Wilmot & Hobbs Manufacturing Company, Bridgeport, Conn., in the Iron Age of May 2, 1901:

"*To the Editor:*

"Noticing that you have given considerable prominence in recent issues to the organization of the Manufacturers' Association of Bridgeport, and to the end that the manufacturers' associations of other cities and other manufacturers in other cities where manufacturers' associations are in process of formation or are contemplated, we would suggest that you give due prominence to the position which these manufacturing associations in the various cities, particularly along the Atlantic seaboard and Canadian border, and especially in New England, are taking as regards their present handicap in the cost of raw material, such as coal, coke, iron ore, pig iron, steel ingots and billets, and their desire to have these commodities placed by Congress immediately upon the free list. They believe that as these materials are produced cheaper in this country than in any other portion of the world, and are sold abroad at lower prices than along the seaboard and Canadian border, the industries which produce them are no longer infant and do not need protection. They believe that protection, so called, is but another term for Government assistance to monopolies and trusts. This position the Government as it now exists can ill afford to assume, nor can it allow the people to feel that it is drifting into such position where it is so working hand in hand with gigantic trusts; for when the people realize such to be the condition, they will undoubtedly rise in their might, and by their votes change the conditions and the Government which permits such conditions. * * * It is to be hoped that the Government of the United States will appreciate the position and make such changes in tariff regulations or duties from time to time as will result in putting upon the free list such commodities as do not further need protection on the score of their being infant industries."

This letter and other similar testimony which I have come across does not indicate that the smaller manufacturers would be killed off by the abolition of tariff duties, while the great trusts would continue to do business as before. The little fellows, in fact, realize that while the tariff lasts they are at the mercy of the big fellows.

QUOTATION FROM REPORT OF BUREAU OF STATISTICS ON COMMERCE AND FINANCE.

As bearing upon my statements in connection with iron and steel, I wish to make the following quotations from the August, 1900, Report of the Bureau of Statistics on Commerce and Finance:

"The progress of work on shipbuilding in the United States has likewise been retarded, because makers of steel materials required a higher price from the American consumers than they did from the foreign consumers for substantially similar products. Of course American exporters have to get foreign contracts in competition with foreign plate makers, who are excluded from our domestic market. In addition to this, American export plate makers are interested in preventing the establishment of plate manufacturing in their customer nations abroad, and to that end bid low enough to discourage foreign nations from entering the field for producing their own plate at home. The progress of domestic manufactures of iron and steel goods may likewise be handicapped by the sale of iron and steel in their unmanufactured state at so much lower a price to foreigners than to domestic consumers as to keep the American competitor out of foreign markets generally. The natural limit to such a policy of maintaining a higher level of prices for these materials at home than abroad is found in the restriction of domestic consumption and in the import duty. If restriction of consumption at home does not operate to prevent the shortsighted policy of discrimination against domestic development of manufacturing industries, the other contingency is more or less sure to rise, namely, the demand for the reduction of the tariff on unfinished iron and steel, in order to equalize the opportunity of makers of finished products in foreign markets. To this policy the domestic consumer is usually ready to lend himself, thus making a powerful combination of interests to set limits to the rise of domestic prices of iron and steel materials.

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"Of the two policies open to iron and steel makers, the farsighted one of keeping the domestic and foreign markets as near as possible on a par in the price of these materials of manufacture seems by far the wiser one to follow, both in the interest

of a steadier course of prices, which means steadier consumption, and on account of the competition of manufacturers of finished goods with foreign manufacturers in neutral markets all over the world.

"The other policy of maintaining prices to manufacturers at the highest level at home leaves little margin for experiment in seeking new markets, and restricts the application of iron and steel to additional uses at home. The depressing effects of an agitation for tariff revision to remedy this inequality are sure to cause a far greater business loss, not only to the country as a whole, but to the producers of iron and steel themselves, than is to be gained by selling at low prices abroad, which they can not help, and at high prices at home, which they can help. Nor can the home-market price be sustained beyond certain limits by export sales. Certain American manufacturers of steel materials tried this policy up to April, 1900. It resulted in a very positive shrinkage in domestic consumption at the then high rates. Farmers had ceased to purchase barbed wire for wire fences. Retail hardware dealers had complained for months of diminished business in nails and wire. Jobbers had gotten in the way of doing a hand-to-mouth business on prices that had advanced from $1.35 to $3.20 in the course of a year. Hence the reduction of $1 in April, 1900, became a necessity, in order to keep the mills in operation.

"When new markets are to be opened abroad the governing factor which must be made the basis of prices to consumers is the capacity to undersell competitors, regardless of the level of prices at home. The policy of many Governments has been to subsidize production or distribution in some way or other, so as to enable the producer to reach the consumer in distant lands without too great a loss or risk in the initial outlay. The capital outlay being large and the income low for the first few years, the risks of changing prices, of uncertain credit, and of the cost of marketing, give the whole policy of opening foreign markets a highly experimental character. The elements of commercial expense in distribution between producers and foreing consumers are not only higher but they are harder to ascertain in advance than in the case of domestic distribution. Hence, commercial expansion, arising from the necessity of disposing of a national surplus abroad, has always made it necessary for domestic producers to adjust their trade to two-price standards—world-market level of prices, determined primarily by international competition, and the domestic standard of prices, determined mainly by the development of internal demand. The higher profit, presumably, to the producer is made in the home market, when such market is guaranteed to any extent by an import duty.

"The policy of premiums, bounties, and subsidies to foreign trade tends to delay economies of production and of distribution in domestic markets, to increase the difference between prices to domestic and foreign consumers, and to restrain domestic consumption, as in the case of beet sugar in Europe. * * *

"There is something economically impossible in the policy of trade syndicates to attempt to sell as dear as possible at home and as cheap as possible abroad, and yet expect to develop a home market as the bulwark of national prosperity. Yet this is exactly the position of Germany to-day. The completeness with which the iron and steel trades are committed to this course, and the results already apparent in depressing these industries there, should warn those who are responsible for the policy of these industries in the United States. * * *

"If steel rails, for example, sell at Pittsburg for $35 per ton for months in succession for home consumption, while the foreign consumer is purchasing them for $22 to $24 per ton, the domestic market is sure to order no more than it is obliged to have for the time being. In the long run such a policy is shortsighted, because it puts an embargo on the expansion of investments in enterprises requiring iron and steel. It arrests constructive projects at home, while it stimulates construction abroad."

THE WINDOW GLASS TRUST.

The Window Glass Trust is one of our most interesting and instructive tariff trusts.

The history of our glass industries for the last 20 years has been, on the part of the manufacturers, a succession of combinations, pools, lockouts, price-list committees, and agreements fixing prices and wages and limiting production; and of labor unions, strikes, wage committees, and wage-scale agreements on the part of the glassworkers. Wages and prices change often and radically, and nearly all of these tariff-nursed industries are always in an unsettled, unstable, and unhealthy condition.

The result is that we usually pay double price for our glass; and both the industry and the workers are in a backward state of development—fully 10 years behind those of Belgium.

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[1] See pp. 630–631.

Instead of making the best and cheapest glass and of dominating the world's markets, as our unrivaled opportunities for production would warrant—cheapest and best silica, coal, gas, and lumber—we are, thanks to our tariff system, only partially supplying our own market, and even that with inferior goods, which sell at double the price of better goods in Europe.

Instead of the workers being—as are most workers in the unprotected industries—the most skillful and independent of any on earth, they are, especially in the highly protected window-glass industry, not as highly skilled as are the Belgians, who are continually coming over to recruit our skilled labor ranks, after paying the $500 per capita tariff which our labor union forces from them before they can go to work.

The glass trusts, by their tariff clubs, hold up the American consumer and make him pay $2 for $1 worth of glass. The labor unions, by their alien contract-labor laws and stringent apprenticeship rules, hold up the manufacturers and succeed in getting about 25 cents out of every extra tariff dollar wrung from consumers.

The evils of such methods are not only apparent throughout the glass industry and in the glass-consuming industries, but they extend into state and national politics, and form a part of the "boss" system of government.

Under such conditions and circumstances it is a national sin to continue this tax on sunlight. Some of the leading manufacturers do not hesitate to say that if there had never been a tariff on glass our glass industry would now be twice as large as it is, and would be employing twice as many men and using twice as much coal, gas, lumber, etc.

Labor unions which are more of the nature of trusts than are most labor unions exist in about every branch of the glass industry, except that of plate glass.

It is not here intended to complain of labor unions in general any more than of trusts in general. It is only intended to show that the protective tariff tends to make both trusts and unions bad, and to enable them together to lock up an industry in the hands of a few, who disregard entirely the interests of consumers and outside laborers. The tariff invites manufacturers to organize to fight their employees and the consumers, and almost compels the employees to organize to fight the manufacturers and the consumers. Tariff and trusts are the two parts of the machine for regulating production and prices; and ironclad agreements, apprenticeship rules, and alien contract-labor laws constitute the workers' machine for extracting a part of the tariff spoils from the trusts.

As in most branches of the glass industry, trusts in some form have existed in window glass for twenty years.

The American Window Glass Manufacturers' Association, with its "price list committee," its "board of control," its "district" and "national wage" committees, and its "tariff committee," was running full blast from about 1880 to 1888, and was deciding how many and what works should be closed and what wages should be paid and what prices charged. It worked hard to prevent the passage of the Mills bill in 1888. In 1884, when there was a shortage of glass caused by a lockout and a long fight over wage scales, the manufacturers themselves became importers to supply the trade.

There have been since 1880 periods of comparative competition and low prices, but during such periods the "trust" people have been playing for a new deal and a new grip on the industry. Since 1890 the United Glass Company, a corporation owning 17 of the 108 plants then in existence, has formed the backbone of the Window Glass Trust. From 1893 to 1895 the trust was not in good working order, and prices were comparatively low.

In 1895 the American Glass Company, a selling pool for 85 per cent of the factories, was formed. This pool soon had prices up to the importing point, where it held them firmly until succeeded by the American Window Glass Company, a corporation with $17,000,000 capital, formed in October, 1899. This owns factories with a capacity of 1,900 pots out of a total capacity of about 2,600 pots. It has not lowered prices, which are about double what they were 4 years ago.

The estimated value of the 48 or 50 plants absorbed is said by one of the organizers to have been put at $6,190,000.

THE PRICES OF WINDOW GLASS.

There are so many sizes and grades of window glass, the schedules of prices and discounts are so complex, and the prices change so often and differ so much in different districts that it is difficult to compare prices. In general, prices for the last 4 years have been nearly double what they were for the previous 3 years, and

the duty averaging nearly 100 per cent, prices are about double what they are in Belgium and England. The following summary of prices is from the Commoner and Glassworker of October 21, 1899:

"From an average price of about $1.50 per box for single and $2 per box for double strength in 1893, the value of glass quite, if not more than, doubled. * * * The low price of glass was due to the low tariff, combined with the low cost of unwrought material and reduction in cost and labor, with a poor consumptive demand. * * *

"Since the existence of the American Glass Company, the greatest advance in price has taken place. This company has managed its affairs without change practically since its formation, and has done it so well as to not only control the product, but to fix the price at the highest possible notch.

"The profits during the last 3 years have been enormous. The pool is said to have made $700,000 in 1896, $1,750,000 in 1897, $2,100,000 in 1898, and still larger profits are anticipated for 1899."

In no other industry, perhaps, are prices adjusted to the cost of imported goods with such precision. The cost of laying down imported glass at interior points being greater than at seaboard on account of freight, the prices at interior points were, at least until a few months ago, held enough higher to cover this difference. Thus customers at Pittsburg, in the shadow of the factories, had to pay 14 cents per box more for ordinary window glass than the customers at Boston, and 20 cents more than the Pacific coast customers. The country was divided into six districts, and the prices for each were determined by the cost of imported glass in each district after the duty was paid. Prices for the Pacific coast were lowest of all, because the cost of transportation from Belgium is the lowest in comparison with the cost of transportation on domestic plates.

Since 1861 the duty on window glass has changed but slightly, except that it was reduced 30 per cent under the Wilson bill. The duty now, as under the McKinley and previous bills, varies from about 1⅜ to 3 cents per pound, and averages about 2 cents. This is generally equivalent to between 80 and 100 per cent, and often exceeds 100 per cent. From 1860 to 1890 prices in this country declined an average of only 8 per cent, although foreign prices declined 54 per cent from 1867 to 1890. Our prices for ordinary sizes are now higher than in 1890 or in 1860. This one fact, taken in connection with free natural gas and unrivalled opportunities for production, and in view of the great progress made in most other industries, ought to be sufficient to condemn the whole protection theory. No other industry has enjoyed so much protection for so long a period, and no other important manufacturing industry has made so much progress backward. From 1880 to 1890 we imported each year about 30 per cent of our total consumption of window glass. Since 1890 the percentage of imported glass has been somewhat less. It is now about 12 per cent, our consumption amounting to about 5,000,000 boxes.

Early in 1900 prices were comparatively low. Later, however, advances were made; recent advances bring prices about back to the high level of 1899. Within a few days agreements have been made between the trust and the "cooperative factories," as the mills conducted by the workers are called, which will close up all window-glass plants on May 11. It is not likely that they will open before October, and probably not until December or January. The National Glass Budget of May 4, 1901, says:

"Manufacturers have done, and will likely continue to do, all they can to prevent an undue accumulation of stocks, because they know full well that their ability to maintain present high prices depends largely on the very close adjustment of supply to demand. The early shut down of the factories, and all the makeshifts and maneuvering between now and resumption of production they are capable of resorting to, will be done with a view to curtailment."

This trust, like many others, does not possess a complete monopoly. It is said to "hold the umbrella" under which new factories outside the trust have been built and great profits made. It is really the tariff which holds the umbrella. The trust and the outsiders are both secure in their excessive profits under it for a considerable time, until the number of outsiders gets too large. All the time the consumer will be forced to pay high prices, and competition will not lower them because the combined power of the manufacturers' trust and the labor union is able to restrict production. Up to a certain point it is profitable for the trust to pursue this policy, and even when this point is reached the margin of profit afforded by the tariff is so great that the trust can make new terms with the outsiders, many of whom, according to the Commoner and Glassworker, have been attracted to the business by the prospect of a sale of their plant to the trust.

THE BORAX TRUST.

The Borax Trust is deserving of special consideration, both because it is an international or world trust and because it also furnishes some of the best examples of the evils of tariff trusts. Unearned and undeserved profits, enhanced prices, restricted production, limited consumption, employment of foreign labor at low wages, lower prices to foreigners than Americans, false and hypocritical plea that free borax would destroy the borax industry—these are some of the results of the unnecessary and unjust duties on borax and boracic acid.

The principal borax mines or deposits of the world are in California and Nevada, in Asia Minor, Peru, and Chili. Mines or deposits exist in Italy, Turkey, and other countries, but the cost of working them is too great to make them of commercial importance.

The largest, most easily worked, and most productive mines of the world are those in California. These were discovered in 1856, but were not much worked until about 1873.

Previous to 1883 there was no duty on borate of lime and crude borax. The tariff of 1883 made the duty on refined borax and on pure boracic acid 5 cents per pound, on commercial boracic acid 4 cents, and on borate of lime and crude borax 3 cents. The tariff of 1890 made the duty on all boracic acid 5 cents. The tariff of 1894 reduced the duty on all borax to 1½ cents. The tariff of 1897 made the duty on borax and boracic acid 5 cents. The object lesson resulting from these changes of duties is most interesting, not only to our own citizens, but to the people of the entire world.

Because of the limited area in which the mines are found and the difficulty of reaching and operating them, it seems but natural that these mines or deposits should fall into a few hands, and that the few owners should combine to prevent competition and to bring about high prices. As early as 1878 an agreement was entered into between the California producers by which production was to be curtailed. A more formal combination was formed in 1879.

In 1885 the "borax board" was organized. It included about all of the producers upon the Pacific slope. A more nearly perfect combination was formed in 1888; and in November, 1890, the Pacific Coast Borax Company absorbed nearly all of the producers. It has always been the policy of Mr. F. M. Smith, the head of this company, to gobble up all of the new deposits which might prove of commercial value. He has usually worked but 1 or 2 of the 10 or 12 mines which his company owns, and to-day is working only the Colemanite mine at Daggett, Cal., and is holding idle such important deposits as those in Death's Valley and San Bernardino, Cal., and those in Nevada. One or two small deposits, such as those at Columbus, Nev., may be worked on shares, but the product of these small properties all passes through the hands of the Pacific Coast Borax Company, and no crude borax is obtainable except from this company.

Prior to the latter part of 1894 the foreign market was in the hands of a European syndicate, which had a virtual monopoly. This foreign syndicate had an understanding with the Pacific Coast company through which the latter was left to the enjoyment of the American market. Soon after the reduction of duties in 1894, and the low price at which our trust was compelled to sell, our producers began an aggressive warfare on the foreign monopoly. In June, 1896, the Pacific Borax and Redwood's Chemical Works, Limited, was incorporated in England with a capital of $2,550,000 and $500,000 of bonds. It took over the business and properties of the Pacific Coast Borax Company and of Redwood and Sons, chemical manufacturers in England. Mr. F. M. Smith became the managing director in the United States. This new English-American combination carried on such an aggressive and expensive warfare in Europe that in January, 1899, the foreign manufacturers capitulated, and sold their interests to a new combination dictated by the California producers. This new combination is the Borax Consolidated Works, Limited, with a capital of $7,000,000. It is an amalgamation of the 12 principal borax producers and refiners in the world, namely:

The Pacific Borax and Redwood's Chemical Works, Limited; Mear & Green, Limited, London; Kidsgrove, Staffordshire, England; Borax Company, Limited, London; Societe Lyonnaise des Mines et Usines de Borax of Lyons, France; Empresa de Ascotan Company, Chile; Sociedad Boratera de Carcote, near Ascotan, Chile; Borratera de Cosapilla, near Tacua, Chile; Boratera de Chilicolpa, near Tacua, Chile; Compania Boratera de Arequipa, Peru, including the deposits formerly owned by Senors Pena and Caballero; Compania Boratera de Ubinas, Arequipa, Peru; that part of the Pintados deposit formerly the property of the Products Distribution Company, Limited, Iquique, Chile; and 7,142 out of the 110,000 shares of the San Bernardino Borax Mining Company of California.

These are not all the mines and sources of production in the world; but, according to the Oil, Paint, and Drug Reporter of January 30, 1899, nearly the whole supply of the world has been obtained from them.

EFFECTS ON THE PRICE OF BORAX OF THE M'KINLEY, WILSON, AND DINGLEY TARIFFS.

Four days after the McKinley tariff became effective, in October, 1890, the California trust raised the price of borax (which had been 8½ to 8¾ cents in August and September of 1890) to 9¼ to 9¾ cents per pound. The following table gives the dates of some of the more important changes in prices:

Table showing prices of refined borax in New York.

[Wholesale prices per pound.]

	Cents.		Cents.
Oct. 26, 1891	8¾	Feb. 10, 1896	5¾
Oct. 26, 1892	8½	Oct. 19, 1896	5½
Jan. 6, 1893	8½	Nov. 9, 1896	5
Oct. 26, 1893	8¼	Feb. 22, 1897	5¼
Jan. 6, 1894	8¼	Aug. 9, 1897	5¼
Aug. 27, 1894	8	Oct. 18, 1897	6
Sept. 3, 1894	7	Nov. 29, 1897	6¼
Oct. 29, 1894	6⅜	Dec. 27, 1897	6⅜
Jan. 6, 1895	5¼	Jan. 3, 1898	6¾
Mar. 4, 1895	6	Feb. 7, 1898	7
June 17, 1895	5½	Jan. 23, 1899	7¼
Aug. 1, 1895	5¼	Nov. 20, 1899	7¼
Jan. 6, 1896	6		

The Wilson tariff law took effect on August 28, 1894. The following comment is from the Oil, Paint, and Drug Reporter of December 31, 1894:

"The sweeping cut in the price of borax, which we announce in another column, to take effect January 1, 1895, will be a great surprise to the trade, as the impression has become current that no further reduction would be necessary to enable the Americans to keep out the foreign and retain complete control of the home markets. * * * The net decline in the price since the new tariff came into operation is 2¾ cents per pound on crystals and powdered, and 2½ cents per pound on refined in bags."

On February 4, 1895, the same journal said:

"The Pacific Coast Borax Company, finding the results of its efforts to place borax within the reach of all at reduced figures to have been so satisfactory, has issued another circular, announcing still lower prices for the current month, and which are lower than borax can be imported for or produced here except under the most favorable conditions."

On October 21, 1895, the same authority said:

"In the years that have passed large profits were made, and it may be necessary to cut into them if the competition now in progress is of long duration. At the same time there is reason for believing that the California producers are making money under existing conditions. * * *

"There is no danger of any further competition with the foreign article. * * * The manufacturers in England have not renewed the syndicate agreement, and there does not appear to be any likelihood of their doing so."

The articles on borax in the Oil, Paint, and Drug Reporter tell a different story under the Dingley law, which took effect July 24, 1897. Thus, on August 30, 1897, the Reporter said:

"The new tariff has materially altered the situation in borax in this country. * * * There is no possibility of any competition being feared from Europe with the duty on refined 5 cents per pound as against 2 cents under the act of 1894, and the domestic market is left entirely to the home refiners. * * *

"Under the low prices which were made necessary by the 2 cents duty in the act of 1894, the demand has been largely increased, and it is possible that any material advance would check the consumption. * * * Refiners may be trusted not to make a move that will restrict their production."

On January 17, 1898, this journal said:

"The advance in the rate of duty on borax, in the act of 1897, from 2 cents per pound to 5 cents, has caused a rise in the price here from 5¼ cents in carloads, which was the market quotation when the tariff became operative, to 6¾ cents. * * *

"It is evidently the determination of refiners to raise the price by slow and easy stages until they shall reap the full increase of benefit which the new act gives them. It would not have been good policy to advance the price 3 cents per pound as soon as the tariff bill became a law, as it might have aroused the ire of consumers of borax."

These quotations from this great trade journal make it clear that the duty enables the trust to purloin money from the pockets of the people.

That no duty is necessary to preserve our borax industry is evident from the fact that our output increased greatly during the period of the Wilson tariff, and that we have always exported borax and sold it in England, except when an agreement, offensive and defensive, between our own and foreign producers kept our product at home.

On July 13, 1896, the Oil, Paint, and Drug Reporter said:

"From a glance at the condition of affairs in the Borax industry, it appears that the California producers hold the key to the situation. They have succeeded in underselling the South American and Asiatic borate of lime in the English market, and have thus affected the profits of the Borax Company, Limited, the concern which owns the Asiatic deposits. The annual report of this company stated that, had it not been for the French works (protected) of the company, no profit would have been made, owing to the competition with the California borate."

DIFFERENCE BETWEEN TRUSTS IN PROTECTED AND UNPROTECTED COUNTRIES.

On August 30, 1897, the Oil, Paint, and Drug Reporter unintentionally illustrated the difference between trusts in protected and unprotected countries:

"The Borax Union of Great Britain collapsed some two months ago, due, possibly, to competition with borax from American borate. The price is now £14 per ton, or about 3 cents per pound, the lowest price on record. * * *

"The Societe Lyonnaise, which controls its own deposits of crude borax in Asia Minor, and is protected on its refined in France, is also doing well; but a careful analysis of the situation can not but reveal the commanding position occupied by the California producers in the markets of the world under the new conditions which have been partially created by the new tariff, and in great measure by the development of the Pacific slope."

In September, 1897, the British and Colonial Druggist, of England, explained the ability of the American producers to compete in the markets of the world by saying that to the "natural advantages in the matter of deposits of pure borax" was added an extremely heavy duty on borax, which "practically bars foreign product from entry into the States." It said:

"We can put this advantage in a startling way by saying that if American manufacturers obtained for their borax sold at home the present price of the article in this country plus the duty in America, they would be in a position to give away one and a half times as much borax as they sold at home and yet receive a return per pound on the whole higher than the present English price per pound."

American warfare from behind protected tariff walls made the borax industry unprofitable in unprotected countries, depreciated the value of foreign plants and mines, and made it easy for our Government-supported trust to buy up its foreign competitors and to form a world trust. This it has done. Our borax tariff is, therefore, the real mother of this great world trust.

It may be asked why, if it owns all of the profitable mines of the world, does not the trust put its price as high in Europe as in America? It is partly because it does not have and it is not easy to get as complete control of the world's borax mines as it has of those of California and Nevada, and partly because the trust has not as yet had full opportunity to test its world monopoly. Some of the companies which it took over were under contract to supply raw material at certain prices for 1, 2, or 3 years. Until these contracts expire refined borax will be likely to remain low in England.

THE BORAX TRUST IN POLITICS.

In 1897, the Borax Trust gave us an object lesson of the tariff trust in politics. When the Dingley Bill was being discussed in the Senate a great calamity howl went up from the California and Nevada Senators about the depressed borax industry. Senator Perkins told the Senate that "there can be no trust and no monopoly of the borax fields of Nevada and California." When attempting to answer Senator Gray's inquiry as to why it was that an industry which had been built up on lower duties should, as time goes on and the infant industry is established, still want higher duties, Senator Perkins replied that "it is simply the old story of crushing an industry which has been established. The mines are opened; the water is pumped out of them;

roads have been built to the mines; and, if they are abandoned, then the trusts again come in and advance the price." This absolute misrepresentation of facts passed as wisdom in the Senate.

When faced by the fact that the borax industry had passed into the hands of a British corporation—the Pacific Borax and Redwood Chemical Works, Limited—which had been running 6 months, and had, in spite of the low prices and depression, cleared 12 per cent on its capital, absolute fabrication was resorted to and the western Senators denied the existence of the English corporation; and Senator White, who had turned protectionist and beggar for the borax infant, read a telegram "from a gentleman in California * * * for whom I am ready to vouch," saying that "borax mines are owned by individuals and companies, all American."

Senator Stewart helped to deceive the Senate by saying that he "understood that there had been an attempt to make this sale in Europe in good faith, but I think the whole thing fell through. It was one of the bombastic prospectuses that the English put out. It must be an exaggeration." The "bombastic prospectus" had stated that the earnings of the 2 companies to be amalgamated (the Pacific Company being by far the larger) were $446,000 in 1892–93, $405,000 in 1893–94, and $267,000 in 1894–95. The reduced profits in 1894–95 were said to be "owing to the reduction in the price of borax by the American company."

Senator White played his part in the deception by stating that "it is an absurdity for any one * * * to assert that this article can be sent to and sold in England at 2 cents a pound at a profit, and it appears nobody was gullible enough to believe that statement." And this in the face of the fact that 20,420 bags had been exported the previous year and sold for less than 2 cents "at a substantial profit," as the "bombastic prospectus" stated. One of the conditions of these sales in London was said to be that this crude borax should not be resold to American refiners.

Of course, the ordinary protectionist claims about "cheap foreign labor," "difference in wages in America and Turkey," "American citizens spending their money at home," "crippled home industries," "mills closed by low duties of 1894," etc., were placed before the delighted Senators, although the facts were that practically all of the labor employed in the borax beds was Chinese and Indian, hundreds of whom were working for $1 a day, and that we never before produced as much borax as we did under the low duties of 1894.

By such arguments and deceptions this trust beguiled the Senators, and got its partner, the protective tariff, to put more money into the business, and to greatly increase the profits of one of the wealthiest men on the Pacific coast.

PRICE OF TIN PLATE BEFORE AND AFTER THE DUTY ON SAME.

(By Representative GARDNER.) Q. Do you know what the price of canner's tin plate is now per box?—A. It is $4.19, I believe in New York City.

Q. Is not that about 6 cents cheaper than it was prior to 1890?—A. It is cheaper; I do not know how much.

Q. I think I used to pay $4.25 before the tariff on tin plate, and it was reckoned cheap then. I want to know whether, notwithstanding the trust and all that, tin plate is not, as a matter of fact, cheaper to the American consumer now than it was before the tariff was put on?—A. The difference column in the table[1] shows that the American price has followed somewhat the amount of the tariff duty. At the present time there is a difference between the in-bond price and the New York price of American plate of 1.4 cents. The duty is 1.5 cents. In 1899 the difference was 0.9 of a cent a pound; in 1898, 0.7 of a cent. The difference, that is, between the in-bond price of foreign plates and the New York price of American plates. It shows how much more we are paying for plates than we would be paying if there were no duty.

Q. Theoretically, by the figures, it shows that; but is it not the fact that before the duty we paid more for tin plate than we do to-day?—A. Yes; but the whole steel industry has been revolutionized within the last ten years.

Q. (By Mr. LITCHMAN.) Is it not also true that the tin-plate industry has been established in this country within that time?—A. Yes; practically.

Q. If it were not for that fact we would be paying out at the rate of 5 or 4.5 cents a pound, a total of $40,000,000 more or less to the foreign maker?—A. I do not understand it that way. Practically all other countries on earth are getting their tin plate about 1.5 cents a pound less than we are now paying. They are paying less by the amount of the duty.

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[1] The table referred to is on page 558.

Q. Would it not be true, if we did not have the tin-plate industry here, that we would be paying the price they formerly charged us?—A. We would be paying the price that they charge every foreign consumer.

Q. They did charge more than we pay now?—A. Before the industry was developed, yes; but the industry has been making great strides here and abroad.

Q. (By Representative GARDNER.) As a matter of fact, did not the importers make the price as high as they could, and did they not keep it up higher than any trust?—A. I think it was higher then, but I do not think the importers regulated it.

Q. There was no tariff on tin plate as such prior to the McKinley tariff law?—A. I think there was the same duty on tin plate then that there was on other iron and steel products; I am not certain.

Q. If there was it was very much less than now?—A. Yes. There was no duty on tin plates specifically. As I have heard, previous to 1890, we had made several attempts to establish the industry. We had failed, as was stated by some who attempted it, because of the tariff combinations in black plates; the manufacturers held black plates at a price which was prohibitive so far as the tin-plate industry was concerned.

Q. The point now made by the tariff reformers is that other countries are buying tin plate cheaper than we. I want to know whether that was not as true before the tariff on tin plate as it is now, and whether the price to us is cheaper now than then?—A. I believe we were paying previous to 1890 as much more than foreign countries for our tin plate as the amount of the duty. We have been since then paying practically the same difference; so that the consumers of tin plates in other countries, such as the canners, etc., have that advantage over our similar industries.

THE COST OF COLLECTING THE DRAWBACK ON TIN PLATE.

Q. (By Mr. FARQUHAR.) Has not the American the advantage of the rebate?—A. Yes; that is, the advantage of about 75 per cent of the duty. Practically it costs about 25 per cent of the duty to collect the drawback.

Q. But the United States collects the drawback by law?—A. The importers and exporters collect the drawback. The United States allows them 99 per cent of the duty paid and they can get 99 per cent back; but the cost to them of getting it back is about 25 per cent, as I am told, of the amount of the duty. I know of a firm in New York City that gets 15 per cent for doing this whole business for companies, and that commission comes out of the drawback. In the tin-plate industry to-day our tin-plate manufacturers are selling tin plates to manufacturers of packages to be filled with goods for export at $1 less than they are charging ordinary consumers. Now the duty is $1.50, and the small manufacturers prefer to pay 50 cents more for American plates than they would have to pay for foreign plates, rather than take the trouble of collecting the drawback duty on the foreign plates. In 1900 we imported 147,000,000 pounds of plates. That quantity nearly all went out again in cans and other packages and the drawback duty was collected on it; but to the ordinary manufacturers the cost of getting that drawback is from 15 to 25 per cent. The cost is not so much to the Standard Oil Company and the larger manufacturers.

Q. Do you recall the whole amount f import duty on all imports of tin plates?—A. At 1.5 cents a pound on 147,000,000 pounds that would be about $2,000,000. The difference between the in-bond prices of foreign plate and the New York prices of American plate for the last 10 years shows a theoretical cost to us on this industry of $104,000,000.

THE DEVELOPMENT OF INDUSTRIES WITH AND WITHOUT A TARIFF—THE CANNING INDUSTRY.

Q. (By Representative GARDNER.) Inasmuch as our development and growth of wealth has been so amazing as to excite the jealousy of all the civilized world, do you not think it is well that we adopted our tariff policy?—A. I can only repeat that I think we would have made greater progress, and certainly, in my opinion, we would have been more at peace with the rest of the world if we had gotten along without tariffs—if we had continued to reduce our tariff, as we probably would have done without the civil war.

Q. The theory that it is cheaper for a man to buy something than it is to make it himself assumes that he has something else profitable to do?—A. Yes.

Q. And that assumption is also true of nations as of men. Therefore the contention that it would have been cheaper and better at all times for this nation to have bought what, through the tariff, it has been able to make, assumes that the population of the country would have had better and more profitable employment in other

ways. Has that employment ever been pointed out to you in any way?—A. Mr. Atkinson told us that to-day practically half our population is engaged in agriculture and in mining. Because of our natural resources in agriculture and mining, in the production of raw materials, we would undoubtedly have been as far advanced as we are had there been no duty. Protective duties may have established some industries here that would not have been here had there been no duties; but, in my opinion, we get the wrong industries by having duties. Without a protective tariff we would have had the natural industries here that the ordinary course of evolution would have given us. To illustrate, without duties on sugar, on tin plate, and on glassware, we would have supplied the world with canned goods, especially with the small fruits, jams, and jellies, and we would have employed probably three times as many people as are employed by the whole tin-plate and sugar industries which protection has given us.

Q. You assume that in face of the fact that up to 1890 we had to go to Europe to get the tin plate in which to put the goods that would compete with the canned goods of Europe?—A. Practically; yes.

Q. And you assume that the development of that canning business in the United States and the creation of a great and imperative demand over here for tin plate would not have induced the foreign owner or trust to raise prices on us to a prohibitive point, so as to protect the foreign canneries in that way? You assume we would have controlled the world in canned goods without having the resources to make a single can of our own?—A. Yes; simply because we have the natural products with which to do it; we have the cheapest fruits.

Q. The chief natural product is the tin plate?—A. No; the important items are sugar and fruits.

Q. Without the can, you could do nothing; and we had not the resources from which to make a single can?—A. We had glassware.

Q. You would put that in competition with the cheap competing goods preserved in tin?—A. I think some kinds of imported goods canned in glass are sold here in spite of the tariff. A large proportion of the marmalades and other canned goods reach us in glass jars.

Q. You have made the assumption that if we had not by a tariff built up certain industries, we would, under natural evolution, have had certain others that would have taken their place; but the illustration that most readily suggests itself both to you and to Mr. Atkinson is the industry of canning or preserving fruits, where we would have to meet the competition of the world by putting them up in packages which this country could not produce without a tariff.—A. But by admitting tin free of duty, we would have had a canning industry that would employ many more men than our tin-plate and sugar industry combined.

QUESTION OF THE POSSIBILITY OF OBTAINING TIN PLATE AT A LOW PRICE WITHOUT A DUTY ON SAME.

Q. That assumes that the other countries would have let us have tin plates at a price that would have enabled us to carry on that industry. Now, you assume that in face of the fact that most of the tin in the world was in Wales—the only country that could roll plates, England, and that England would have been our competitor. We would have been a customer *in extremis* who must have the wares. Now is not that assumption a little contrary to human nature and commercial history?—A. On the contrary, I think you are making the assumption when you say we would not have gotten tin plate as cheaply as the rest of the nations of the world have been getting it, had we not had the duty.

Q. I said that you were assuming they would have let us have it.—A. It is not an assumption.

Q. (By Mr. LITCHMAN.) Is it not a fact that we are getting tin plate for less than before we established the factories?—A. Probably. Everything in manufactured lines has become cheaper.

Q. Can you recall the prices of tin plate in 1888, 1889, and 1890?—A. In 1890 it was 6 cents a pound.

Q. What was the price per box of 100 pounds, 14 by 20, delivered at New York, duty paid?—A. Five and a fraction cents per pound.

Q. At the present time it is 4?—A. Thereabouts. I am not questioning that it is cheaper than it was 10 years ago, but I do not think it is as cheap as it should be with the development in the industry since then.

Q. Is it not a fair deduction that we would be paying as much for tin plate to-day as we were in 1890 if the industry had not been established in this country?—A. On the contrary, I think it is a fair deduction to say we would be paying what other

nations are paying or have been paying in the meantime. They have not been keeping tin plate out by duties; we have.

Q. Is it not a fact that substantially a monopoly of the tin-plate business was in Wales?—A. The business was in Wales. It was hardly a monopoly.

Q. Is it not a fact that two-thirds of the product of the world was produced in Wales?—A. Yes.

Q. That is not a fact to-day?—A. No.

Q. Is it not a fact that two-thirds of the product is in the United States to-day?—A. I presume, pretty nearly; yes.

Q. You have submitted a statement giving what you estimate to be the additional cost to the United States by the tariff?—A. Yes.

Q. Do you take into consideration in that estimate the rise in price of the raw materials that enter into the cost of tin plate?—A. This estimate is based on the import prices without duty, and the difference between that and the actual price.

Q. Is it not true that during the last 7 years the price of tin plate has gone down as low as $2.60 a box?—A. Yes; $2.55, I believe, at one time.

Q. Is it not also a fact that within the last 7 years the raw material, the steel billets, went up to $36 a ton?—A. I believe so.

Q. And yet the price of tin plate at the same time was only $4.65 a box?—A. That would not affect at all my estimate of the cost of the duty to us.

Q. It would affect the cost of producing tin plate. Is it a fair deduction that does not take into consideration all the factors of the problem?—A. That is not a factor, when you estimate the increased cost to us by reason of the tariff.

Q. Whatever the price is of our tin plate, it would be more if we imported it at the present time?—A. We import some at the present time.

Q. Do we import any that is not exported?—A. Yes, a small quantity; probably 20,000,000 or 30,000,000 pounds at the present time.

Q. Do you know the entire product of tin plate?—A. Well, the tin-plate trust makes no report on that question now, and the best judges in New York City could not give me an estimate. I have estimated it at 750,000,000 pounds for domestic production.

Q. That was the production of 1898?—A. Yes; it was about that then.

Q. Well, it is certainly more now?—A. The price is higher now; the production is less because consumption has diminished.

EFFECT OF THE AMERICAN TARIFF ON THE PRICE OF WELCH TIN PLATE.

Q. (By Representative Gardner.) Do you believe the law of supply and demand has an effect on the price?—A. Yes; undoubtedly.

Q. The adoption of a high tariff on tin plates and the development of the tin-plate factories in this country has very much lessened the demand for Welch tin plates, has it not?—A. Yes; it has not lessened the demand, but has lessened the demand at the price which we have to pay.

Q. It has lessened the market for Welch tin plate? The high tariff has given the American tin-plate manufacturers control of the American market?—A. Yes.

Q. They are no longer customers for Welch tin plate, and therefore they have materially diminished the demand for Welch tin plate in the world's market. Now, under the law of supply and demand, that would naturally depress the price very much in Germany, France, and elsewhere where they sell, would it not?—A. There are two views of that. One is the view that promoters rely upon in forming a trust, that the larger the production is the cheaper it is. The production of Wales has been diminished because we do not draw upon it for our supplies. Now, in the course of time the factories there will decrease in size and number, and the product will not be turned out as cheaply there.

Q. In the course of time that may be true, but the natural immediate effect of the cutting off of so great a customer as the United States would be to depress the price of tin on the other side?—A. Temporarily.

Q. That being so, do you think it sound to assume that if the United States had continued to be a customer of Wales prices would have gone down to the point they now are in France and Germany, and we would be buying at that price?—A. Probably at a lower price, because, as I say, Wales would be producing two boxes where it is now producing one.

Q. But time enough has not elapsed for it to have had that effect?—A. Seven or eight years' time will do a great deal in an industry.

Q. Then your belief is that tin plate produced by Welch factories is as high, if not higher, in Germany and France as it would have been if the United States had continued to be a customer?—A. I think the price is practically about the same as it would have been had the United States continued to be a customer.

Q. Then there is no advantage in price in enlarging the market—reaching out for markets for products is a fallacy?—A. On the contrary, I think that if Wales was producing twice what it is now producing it could afford to sell tin plate cheaper, and unless it had a monopoly, which I do not think it has, it would be selling it at as low or lower than the present price.

Q. (By Mr. LITCHMAN.) Was that the fact when Wales had a monopoly, so far as the United States was concerned?—A. I think so; yes.

Q. The facts show that we actually paid more per pound then than now?—A. Because of the great evolution in the industry since then. The whole method of manufacturing tin plate has changed, since machinery is now used where hands were used then.

Q. (By Representative GARDNER). Is it your view of the effect of the American tariff, for example, on tin plate, that it raises the price on both hands—it not only raises the price to the consumer of tin in the United States, but it also operates to raise the price in the foreign country where it is produced, for the reason that it can not be sold?—A. Well, I said that temporarily our tariff would reduce the price in Wales when we cease to buy our products from there, but as soon as the factory system had been adjusted to the new condition they would produce a smaller product at a higher cost, and therefore in the course of time the price of tin plate to foreigners would be as high or higher than it would otherwise have been.

EFFECT OF TARIFF UPON PRICE OF TIN PLATE TO AMERICAN CONSUMERS.

Q. If that is true in Wales, France, and Germany, it would be true in the United States, and if it is true in the United States, then the tariff which fosters these industries, even to the extent of promoting trusts, instead of robbing the people as you have been contending, results, by the large production in the end, in cheapening the price to the American consumer, under the tariff.—A. The price of tin plate produced in Wales would vary very slightly. As I showed you, the price in this country has about doubled in the last 2 years since the trust got control.

Q. (By Mr. LITCHMAN.) Is it fair to make that statement without adding that the prices of all the ingredients that go into the manufacture of tin plate have increased in a like manner?—A. Of course it is fair only so far as the increase in this country is greater than the increase abroad.

Q. Is it true that that is the fact? Has there not been the same relative increase in foreign markets that there has been here?—A. Oh, no; we were lower than the world's level of prices in 1898.

Q. The testimony given before this commission shows the rise in the price of tin plate from 1888 to 1900?—A. Yes.

Q. And shows that the rise and fall of the price of tin plate at New York, duty paid, has corresponded with the rise and fall of the price in the United States. Now, is it not fair to assume that the conditions that caused the rise and fall in the United States operated equally in foreign countries?—A. Yes; but the tariff has changed in the meantime. I would want no better illustration of my theory than to take the lines in that diagram[1] showing the American prices in American markets of American plates, and the other lines showing the in-bond prices of foreign plates without the duty. You will see that the two lines are separate just about the distance of the amount of the duty. When the duty was 2 cents the lines are a little apart, and when the duty was 1.2 the lines come together.

Q. Because the competition with the foreign-made goods was closer then, was it not?—A. Yes.

Q. And was not the industry at that time in a transition state between a monopoly in a foreign country and the establishment of the industry in the United States?—A. I have never been convinced that there was a foreign monopoly charging us an artificially high price.

Q. Is it not a fact that we imported practically the entire amount of tin plate consumed previous to 1890?—A. Yes.

Q. Then we would consider that a monopoly of the American market was enjoyed by a foreign country?—A. Yes; if that is what you mean by monopoly.

Q. (By Mr. JENKS.) You mean to imply that the Welsh manufacturers did not act together as a unit, but that there was competition among them for the American trade?—A. Yes.

Q. (By Mr. LITCHMAN.) They had a combination among themselves?—A. Yes; I believe they did. It was practically ineffective in putting up the price, except to a very limited extent and for a short time.

[1] The diagram in Vol. I, Report of the Industrial Commission, Part I, p. 53.

Q. Then, if the price at which tin plate was sold at that time was higher than the price at which tin plate is sold at the present time, there has been a benefit to the United States in the establishment of the industry here?—A. No, because the cheapened production all over the world due to invention has benefited other countries more than the amount of this decrease.

Q. Mr. Atkinson testified that the inventions had occurred in the United States?—A. Yes, but they are enjoyed by other countries besides the United States. We do not get much benefit from the inventions, while other countries get practically all of it.

Q. We benefit to the extent that we buy 9,000,000 boxes of tin plate at the present time at from 40 to 90 cents cheaper per box than we got it in 1890?—A. And foreign countries get the benefit to the extent of buying it 1½ cents a pound, or $1.50 a box, cheaper than in 1890.

Q. That, however, is not established. That is an assumption on your part, as I understand it, without figures to sustain the assumption?—A. There can not be any doubt that the price in foreign countries where there is no tax on tin plate is below our price by about 1½ cents a pound.

Q. Then you assume that the entire price of the tariff is charged to the United States, which is not true, because the difference is not 1½ cents?—A. Very close to it at the present time.

Q. Then again, is it not fair to take into consideration the cost of the materials entering into tin plates, and not lay all the difference to the tariff?—A. But the increased cost of materials operates in foreign countries as here, except that we have other tariff trusts which produce these materials, which may hinder the tin plate industry.

Q. Well, now, go one step further in another direction. Suppose that the abolition of the duty surrenders the market of 9,000,000 boxes we produce to the foreign manufacturers, would that not result in the idleness of a number of men now employed in this industry in the United States?—A. It would throw them out if we can not produce as cheaply as they can in Wales, but according to evidence I think we will soon be exporting plates to England. The Iron Age of about six weeks ago said that our agents in England were putting in bids to sell plates there.

Q. (By Representative Gardner.) How can that be true if they get more benefit from improved machinery than we do, as you just said?—A. Because our tariff trusts prevent us from getting the benefit by charging us the tariff on prices.

Q. As the law now stands the American canner can import his tin and get a rebate of the duty on any tin exported. Then, is not the American canner who wants to import Welsh tin and then export the packages in the position he would be if we had absolutely free trade in tin?—A. No, for several reasons. One of them is that the canners are mostly small producers and do not manufacture their own packages. They have to buy cans of others, who would make packages for them, and the cost of getting the drawback is at least 25 cents on a box of tin plates.

THE WIRE-NAIL INDUSTRY—THE TARIFF AND PRICES.

Q. Taking up your discussion of wire nails, has it not been claimed that the wire-nail industry was first made possible in this country by the tariff?—A. I have no doubt of it. I have, however, failed to see any reason for putting that in a different list from numerous other kinds of products that we manufacture and export.

Q. Is it true that wire nails formerly sold in this country at a great deal higher price than they have since the development of the industry here under a duty?—A. I think the wire-nail industry is only 10 years old.

Q. (By Mr. C. J. Harris.) I understood you to say that the price in 1899 was the highest price for 10 years, did you not?—A. Yes; the price of December, 1899, was the highest in 10 years. I do not think we have imported any kind of ordinary nails within the last 15 years.

Q. (By Representative Gardner.) Your quotation from the Iron Age showed a reduction in the use of wire nails from 9,000,000 to 8,000,000 in what year?—A. The reduction was from 9,000,000 kegs in 1891 and 1892 to less than 8,000,000 in 1895.

Q. Now, was not 1895, the year when the decrease occurred, a year in the height of the panic, when building operations were everywhere suspended by reason of the panic?—A. What I have said on that is quoted from the Iron Age.

Q. But as a matter of fact, is not the year selected by the Iron Age one of panic, depression, idleness, and the suspension of building operations?—A. Yes; but the Iron Age, the greatest trade paper probably in the whole world, does not credit the smaller consumption to that fact; it says that it is due to the high prices maintained in this country.

Q. But nobody would have built a house in that year if he had been given the nails?—A. I think that question is answered by the conditions next year after the pool broke.

Q. When did it break?—A. In 1895 or 1896; 1896 was also a poor year, and yet I think the production of wire nails in that year was greater than it has been in the last 2 years, when prices have been higher.

Q. (By Mr. CONGER.) What was the production last year?—A. I have not the figures here. It increased certainly over the figures of 1895.

DIFFERENCE BETWEEN EXPORT AND DOMESTIC PRICES OF WIRE NAILS.

(By Representative GARDNER.) Is there any difference in the quality of wire nails—in the cost of making them?—A. A slight difference.

Q. (By Mr. JENKS.) You gave base prices, I suppose, when you quoted prices of nails?—A. Yes.

Q. (By Representative GARDNER.) If different grades of wire nails are made, it is important to know whether it was cheaper nails which were exported at the prices you have given?—A. Practically, I think, there is not more than 20 cents difference on a keg, and that is mainly due to the different sizes.

Q. (By Mr. JENKS.) You gave us the export prices on nails. Will you kindly give the source of your information?—A. That is rather a difficult subject to talk upon.

Q. Was it a dealer in nails or a nail manufacturer?—A. It was neither. In this particular case a friend of mine got access to the export books of a certain exporter in New York.

Q. (By Mr. FARQUHAR.) You would not say those prices showed the status of the trade; they were only the prices of one exporter?—A. That is all. I presume at the same time nails were sold through other exporters at quite different prices.

Q. (By Mr. KENNEDY.) Were these figures retail prices at which they were sold abroad or wholesale prices?—A. I presume they are the wholesale prices. I can not say, any further than that they were taken by a friend of mine who understands the business.

Q. (By Representative GARDNER.) Do you know whether there would be any customs reasons for undervaluation?—A. I think there are reasons for overvaluation rather than undervaluation. Most of our export goods, I believe, are placed at a fictitious and higher value. I think a large part of our so-called favorable balance of trade is accounted for by the undervaluation of imports and the overvaluation of exports.

Q. (By Mr. CLARKE.) Are you not aware that, as a rule, exporters in all countries charge a lower price on the goods exported than for those sold in the home market?—A. Yes; but not to anything like the extent that our exporters do, and not in ordinary times. I believe that manufacturers export at certain times when they have a surplus product which they can not sell at profitable prices. They export it perhaps at a loss, but the difference is very slight.

Q. Are you able to give any figures?—A. No; only I can say from my talk with exporters and manufacturers that 5 to 10 per cent would be a big difference in foreign countries between their foreign and domestic prices.

Q. (By Mr. LITCHMAN.) Is not the unit of cost lessened where a plant is run to its full capacity?—A. I presume so; yes.

Q. And could not a difference even as great as you suggest be compensated for by the decrease in the unit of cost of the entire product?—A. I do not think so. I do not think the difference of 100 per cent could be so compensated.

Q. Well, you have not demonstrated the difference to be 100 per cent, have you?—A. Yes; I mentioned that wire nails were sold abroad for $1.30 at the same time they were sold here for $2.70 per keg.

Q. Do you think it a wise policy to have the American manufacturers run their plants at full capacity and give full employment to American labor, even if there should be that disparity in the price between the American and the foreign market?—A. Yes; because foreigners get cheap goods. I am only wishing that our consumers could get goods at the same prices.

Q. Do you think it would be an advantage to the United States if the wire mills shut down entirely and the wire-mill men were idle?—A. In 1899 a number of them were shut down a considerable time because the price had been put at a prohibitive point, and you remember that in April, 1900, the price of wire nails was reduced 1 cent per pound, or $1 per keg, at one jump, simply to increase the consumption.

Q. Was it not true with the wire industry, as with all steel industries, that the material entering into the manufacture of wire nails advanced in price very materially in 1899, the same as everything else did?—A. Yes; but as I quoted from Mr. Lambert, the president of the company, the advanced price of material did not affect them

materially, because they owned everything, from the mine to the factory. They mined their own ores, transported them, and they were not affected by the increase in the cost of materials.

Q. (By Representative GARDNER.) Where a man owns a nail factory and also owns a mine, do you contend that when the price of ore goes up that increase ought not to enter into the price of his nails simply because he happens to own the mine instead of his neighbor?—A. Of course he could make greater profits.

Q. But is he not selling his iron at a legitimate advance in price, just as he would be if his neighbor owned the mine and he had to buy of him?—A. Of course it would increase the cost of manufacturing of those who didn't own their ores, and the man who owns his mines has the right, in keeping his books, to charge a higher price to his nail factory for raw material, but when, as in this case, the whole industry is in the hands of one person, it certainly is not true to say that higher prices are due to the higher cost of raw materials.

EFFECT UPON WAGES OF A REMOVAL OF THE TARIFF ON IRON AND STEEL PRODUCTS.

Q. (By Mr. LITCHMAN.) Do you believe that the tariff could be taken off of these manufactures of iron and steel products without decreasing the wages paid to labor?—A. I believe it would increase the wages, because it would increase consumption of goods and the total product manufactured, and the total number of wage-earners employed is what affects wages and is what would increase wages.

Q. Are you aware of the fact that the iron and steel workers work on what is called a sliding scale of wages?—A. Yes.

Q. And do you know that the scale depends on the price at which the products are sold?—A. Yes.

Q. Then if the price is less the wages will go down?—A. Well, that scale is only a temporary arrangement between employers and employees. That can be changed at any time.

Q. But if the price goes down the sliding scale of wages will go down, will it not?—A. At the present time.

Q. Is it not so under all arrangements of the Amalgamated Association of Iron and Steel and Tin Workers?—A. In this country I believe it is.

Q. If by a reduction in the tariff there is a reduction in the selling price of goods, won't there be a reduction in the price of labor?—A. It is the supply of labor and the demand for it that makes wages, and if there is greater production there would be greater demand for labor, and that would put up wages. Any artificial arrangement that the laborers have with their employers would have only a temporary effect.

Q. But when you reduce the tariff you are going to throw this market, which is now exclusively our own, open to the competition of foreign-made goods, and the prices at which the goods are sold in this market regulates the sliding scale of wages paid to labor. Now, if the price of a product goes down, does not the rate of wages paid to labor go down also?—A. Yes.

Q. Would not that be a bad thing, then, to the workingman employed in the iron and steel industry?—A. I have no doubt they would soon change that method of making wage rates.

Q. Do you know of a fairer way of regulating wages than that they should increase and decrease in proportion to the selling price of the product?—A. Yes; I think the simple law of supply and demand, if let alone, will fix a fairer wage than that.

Q. But this sliding scale has been established by the workingmen themselves, who may be supposed to know something about it, may they not?—A. Yes; it is an attempt on their part to participate in the tariff profits of the mill owners.

Q. Do you not think they would prefer a condition under which they can participate in the higher rate of wages for labor to a condition where they would have to work the same number of hours, furnishing the same skill and the same productivity for a less amount of wages?—A. Undoubtedly; but a lower day rate of wages would not necessarily mean a lower actual wage.

Q. But are they not working at the present time a full number of hours per day and a full number of days per year?—A. In some industries they are, and in some industries they are not.

Q. I am speaking of the iron and steel industry.—A. They are pretty well employed there at the present time.

Q. Well, if they are employed full time at present, how are they going to be employed any more under any conceivable improvement?—A. I simply suggest this—that while the day rate of wages might go down, the actual rate of wages might go up because of the cheaper cost of living. If the tariff were taken off, the manufacturers in this country would have to supply us with goods at the same prices they supply foreigners at the present time. Therefore it would cost less to live in this

country, and though the wages might go down slightly, the reduced cost of living would more than compensate laborers for that slight reduction.

Q. How far would it decrease the cost of living of a man employed in steel factories by reducing the tariff on steel products?—A. Of course that is a far-reaching question. Apparently the ordinary man does not consume steel rails. Yet steel rails are sold at considerably higher prices in this country, and it costs relatively more to build railroads. He pays for that additional cost in the freights on goods that he consumes and in the cost of transporting himself.

Q. Is it not true that before the tariff was put on steel rails we were paying $100 a ton for them?—A. Yes.

Q. And is it not true that since the establishment of the tariff on steel rails we have built up mighty industries in the United States?—A. Yes.

Q. And is it not also true that at the same time the cost of freights has uniformly gone down?—A. I believe that is true; I am not certain.

Q. That being so, the tariff on steel rails has not had anything to do with the cost of transportation, has it?—A. It may have prevented it from going down as far as it otherwise would have gone.

THE POLICY OF PROTECTION AND ITS RESULTS.

Q. (By Representative GARDNER.) Have you ever considered that the difference we pay for those articles to our manufacturers is money paid by Americans to Americans. It remains in the country, and does not decrease by a penny our national wealth, but only operates on internal distribution, whereas if we sent $10 abroad to buy any one of those articles the nation would be out that $10, because it would be lost. Is not the remedy for this inequality of internal distribution a matter to be dealt with in some manner in internal policy instead of by attacking the tariff?—A. I do not myself believe that it is of any importance whether $10 goes out of this country or $10 comes into it at any particular time.

Q. Whether money goes out into another country, as the money of the non-manufacturing countries does go, or whether it remains in a country, must make a difference between all of the wealth in the end, will it not?—A. No, I think not. Money can not go out unless something comes in for it. A man does not pay out $10 unless he thinks he is getting at least $10 value for the $10 that he parts with.

Q. But behind that lies the question of the earning of the $10. The American laborers now earn the $10 in manufacturing for the American people. If the policy of the nation were to buy abroad, where would the $10 come from?—A. At the worst it would simply prevent certain industries from manufacturing here that manufacture at a disadvantage, and enable other industries which can manufacture at an advantage to take their place.

Q. How does the tariff operate to prevent those other industries that could establish themselves to an advantage from establishing themselves now?—A. By increasing the cost of materials.

Q. What are these industries? We have had none mentioned so far but the canning industry, which has absolute free trade in bond, except you raise the point against it that it costs something to collect the drawback. What others?—A. That free trade in bond is simply for cans made for export; in making canned goods for our home consumers the benefit of the drawback does not exist, and the amount of goods consumed in this country is greatly diminished. In other words, in England and Scotland the ordinary laborers can eat jams and jellies, and they do eat them very much more extensively than laborers here, because they can get them so very cheap.

Q. The tariff is inoperative, you say, on steel rails. Does it in any way embarrass the business of agriculture?—A. It embarrasses the business in the iron and steel industry because those producers charge more here now than they do when they export iron and steel products. On the contrary, in agricultural products the same price is charged, and by the time these products reach England they must sell at higher prices; and so it costs more to live in England than it does here.

Q. (By Mr. LITCHMAN.) And yet the claim has been made that cereals are landed in Liverpool cheaper than they are landed in New York?—A. I have not noticed.

AMERICA'S GREAT WEALTH DUE TO THE DEVELOPMENT OF HER NATURAL RESOURCES.

Q. (By Representative GARDNER.) Do you not think the present store of money in this country indicates that the balance of trade is in our favor?—A. The balance of trade theory is, to my mind, very much mixed.

Q. But in the last resort it influences the final payment and the presence or absence of cash money?—A. I think it is probably true we are exporting more

value than we are importing, and that we are settling some of our long-standing debts abroad. We have been a debtor nation, and we are passing out of that and becoming a creditor nation.

Q. (By Mr. FARQUHAR.) How did we acquire this great wealth?—A. By utilizing our natural resources, which I think are unsurpassed.

Q. You would answer that it came through the development of American resources?—A. Mainly, yes.

Q. How does development come, by labor or in what way?—A. By intelligent labor. I agree entirely with Mr. Atkinson when he says that this is the greatest free-trade country in the world. More exchanges are made inside our borders without any levy of duties than anywhere else in the world. We have that much, in my opinion, due to free trade.

Q. You use the words "free trade." What has free trade to do with state lines? What has the state government to do with free trade or protection?—A. In the early history of this country New York State taxed goods from New Jersey. We now have unrestricted trade between the states, and in reference to this I used the expression "free trade."

Q. If we had had free trade since 1828, how far do you think the resources of this country would have been developed, if the money and labor of Americans had gone to other countries to pay for their manufactured articles?—A. In my opinion we would have been developed to a far greater extent than at present.

Q. If the money went out of the country, how could you develop anything in the country?—A. The money does not go out except something in exchange comes in.

Q. Where could the money come from except through the development of American industry?—A. There will always be money where there is wealth, and we have here the natural resources for producing great wealth. Money is really nothing but credits taking different forms, and there will always be money where there is wealth. We could not become a great nation without having money.

Q. We were a debtor nation up to the time of the civil war.—A. Yes; and I presume we are yet.

Q. How is it that since the time of the Morrill tariff we have become such a wealthy nation?—A. Simply because we have been making further progress.

Q. Would you say that we had a very low tariff, so far as protection went, up to the time of the Morrill tariff?—A. I would say that even before then we had higher protection than almost any other country of the world has had before or since. Our duties previous to the Morrill tariff were quite high, and we stood them, in my honest opinion, simply because we were such a great nation within ourselves. A smaller nation could not have stood such high duties as we had even before the Morrill tariff.

THE TARIFF IN RELATION TO WAGES IN THE WINDOW-GLASS INDUSTRY.

Q. (By Mr. LITCHMAN.) In your discussion of the window-glass trust, you criticised the policy of closing the window-glass factories. Has not that been the usual custom from time immemorial?—A. No.

Q. Has not the usual custom been to close the factories about June 30 and open them about September 15?—A. For two months in each season, yes; about one month and a half at a time. But during the last 2 years, since the trust was formed, and since the workers have had an agreement with the manufacturers, the factories have been closed an average of 5 or 6 months each year, I think.

Q. Is not that closing down by agreement between the workmen and the manufacturers?—A. Yes.

Q. Then it is perfectly satisfactory, is it not?—A. The workers recognize that that is the only way of sustaining the manufacturers' profits and their present rate of wages.

Q. Then that is a mutual arrangement, and the closing of the factories should not be pleaded in behalf of the workmen?—A. I am citing this trust as an instance where the workmen, by reason of their apprenticeship rules and strong union, share in the tariff profits. They ally themselves with the manufacturers and against the whole consuming public. They mulct the consumer.

Q. Do I understand your position to be that you would take down the barrier of the tariff and thereby reduce the wages of the men employed in the window-glass trade?—A. Certainly; and I might say that many of the leaders of the workingmen in the window-glass industry tell me privately that it would be better for the workers if they could work as ordinary workingmen; I mean at a somewhat lower rate of wages. They say they now work 6 or 7 months in the year and loaf or bum the rest of the year. They enforce this argument by pointing out that skilled workmen are not developed here, and we have to import the best workmen every year from Belgium.

Q. Are you aware that the Wilson tariff caused a reduction of 35 to 48 per cent in the wages of the window-glass workers?—A. I did not know that; no.

Q. If that fact be true, do you think that was a good thing for the window-glass workers?—A. Under certain conditions I think it could be true that it was a good thing. I was in Pittsburg before and after the passage of the bill, and I know what the labor men there thought of the tariff condition in that industry.

Q. Do you know that they sent a committee down here to Congress to ask for a restoration of the tariff?—A. Yes; I know that.

Q. The supposition is, then, that they wanted it restored?—A. Yes.

Q. (By Mr. CLARKE.) Do you think wages are generally too high in this country?—A. No; I do not think they are as high as they would be under freer conditions of trade.

Q. (By Representative GARDNER.) How do you reconcile the theory that we have to import our best glass workers from Belgium, and our best potters from England, and best tin-plate makers from Wales, and our best machinists also from England, with the theory that America could lead the world without a tariff, because of the superior skill of our workmen?—A. I did not know it was true that we imported our best machinists from England. On the contrary, I think, as Mr. Atkinson said, that we sometimes send our best machinists over there.

EFFECT OF THE TARIFF UPON THE ESTABLISHMENT AND MAINTENANCE OF INDUSTRIES.

Q. (By Mr. LITCHMAN.) Is it not true that the tariff has caused the wholesale transfer to this country of industries that did not exist here?—A. It has undoubtedly caused the change of some industries to this country.

Q. Is it not true that during the Wilson tariff mills were established in foreign countries to supply the United States market?—A. I presume it was true in some isolated cases.

Q. Not in isolated cases, but as a general proposition?—A. I do not think so.

Q. Was it not so almost exclusively in the manufacture of worsteds?—A. I remember of reading of a few mills and a few industries that were established abroad, perhaps in connection with the other plants here; but they were comparatively few, I think.

Q. It has been testified before this commission repeatedly that factories in this country established branch factories in Europe, and that but for the tariff the goods to supply the American market would be made in Europe. Assuming that to be true, do you think it wise that the United States should remove the barrier of the tariff, close up the mills in the United States, and have these goods made in the foreign countries?—A. For every mill closed up, I think the removal of the tariff would open two.

Q. How could it open them if the same goods could be produced in the foreign country by the same machinery with cheaper help, and landed here cheaper than they could be made in the United States?—A. We would lose some industries, but we would gain others for which we are better fitted.

Q. (By Representative GARDNER.) I have been trying to find out what industry we could gain, but I have heard of nothing except canned fruits.—A. An officer connected with the leading textile industry of this country told me a year and a half ago that the manufacture of woolen goods and some other kinds of textiles prospered more during the low tariff of the Wilson law than they had before or since. It is a fact now, I believe, that a larger proportion of the textile mills in this country are closed than ever before. I saw in the paper a few days ago that one-quarter of the workmen in the Kensington district of Philadelphia were out, and that about one-half of the mills were entirely closed or running on short time. This fact is attributed largely to the increased cost of wool and the decreased consumption of goods.

Q. Only last December it was testified before this commission that quite an appreciable part of the wool imported free just previous to the Dingley tariff was still unconsumed in the United States.—A. There may be some unconsumed yet, but I think it has all been consumed for a year or two.

EXTENT TO WHICH SHODDY IS USED IN MAKING SO-CALLED WOOLEN GOODS.

Q. (By Mr. CLARKE.) Is it not a fact that during the existence of the Wilson tariff law in this country our shoddy mills ran day and night, and that there was a very large admixture of shoddy in the so-called woolen goods consumed by the people—much larger than ever before, in fact?—A. If it was larger than ever before, it was not so large as it has been since. The statistics of last year, as I have seen them in the newspapers and in trade papers, show that the people consume one pound of shoddy

now to every pound of scoured wool used. I do not think that statement would have held true before.

Q. (By Representative GARDNER.) Do not these statistics represent a condition like this: Owing to the provisions of the Dingley bill, importers have discovered it to be profitable to import the unscoured or shoddy wool, clean it in this country, and export the waste as a part of the product and throw it into the sea when they get outside. Isn't that being now done to a very large extent by way of taking advantage of the Dingley tariff provision? Does not that make entirely delusive the statistics as to the amount of shoddy consumed and entering into goods?—A. No; I think that three-fourths and perhaps nine-tenths of the shoddy and wastes used in this country comes from our own shoddy mills.

Q. (By Mr. LITCHMAN.) In your estimate of the shoddy do you include what are called wool extracts?—A. I believe it is classified as shoddy in our statistics.

Q. Are not wool extracts absolutely wool?—A. Yes; and wool waste is also wool. Some of it is as good or better than other wool.

Q. Then if that is used to any considerable extent it would reduce the percentage of so-called shoddy, would it not?—A. Yes; but I believe the percentage of that is not at most more than 5 or 10 per cent.

Q. You have no figures?—A. No; but I believe it is 5 per cent.

Q. (By Mr. FARQUHAR.) Do you know anything of the fact that cotton has supplanted shoddy in the manufacture of woolen goods?—A. No, except that I am told by clothing makers that cotton is now woven in with the wool, where it did not use to be.

Q. (By Mr. LITCHMAN.) Do you know of the process whereby cotton thread is surrounded by the wool and twisted so that there is a cotton core and wool outside?—A. I do not know the process, but I am told it exists.

Q. (By Mr. CLARKE.) Where did this adulteration of woolen goods begin and when?—A. I presume it began when it was possible by the use of machinery to produce shoddy considerably cheaper than raw wool.

Q. Did it not begin in England and flourish there very much more than it ever flourished in this country?—A. I presume it did, simply because England is the textile manufacturing center of the world.

Q. It began under free trade and was introduced into this country under a tariff that looked toward free trade?—A. We have had no tariff since I was born that I would consider looked toward free trade.

THE WILSON TARIFF ON WOOLEN MANUFACTURES.

Q. (By Mr. LITCHMAN.) We had free wool under the Wilson tariff?—A. We had free wool, yes; for a couple of years.

Q. And a compensating reduction on manufactured goods?—A. I think so, approximately.

Q. Would you go any further than that in removing the tariff on woolen manufactures?—A. Yes.

Q. How far?—A. Well, I would go the limit.

Q. That would take the mills out of the United States and put them in foreign countries?—A. On the contrary, I have just stated that they were never busier or made greater profits than under the Wilson tariff.

Q. (By Representative GARDNER.) The woolen mills that flourished under the Wilson tariff did so because they had free raw wool and a tariff on the manufactured product, didn't they?—A. Yes; that assisted them.

BASIS ON WHICH WITNESS ESTIMATES THE TARIFF PROFITS OF TRUSTS.

Q. (By Mr. JENKS.) You have given a good many estimates as to profits that were made by trusts throughout the United States. Can you make a general statement as to the way in which you make those estimates, what method you adopt in figuring out the tariff profits of the trusts?—A. In the case of such trusts as most of those in iron and steel, I have taken the prices at which they are exporting goods. Those prices seem to me to be profit-making prices, because within a year many steel rails and billets have been sold for export to be delivered in the future. They are not, therefore, mere deliveries of surplus products, but can be considered as having been sold at a profit. Taking that difference, which in the case of steel rails is an average of $5 to $7 a ton, I think it fair to say that the tariff profit in that case can be measured by the difference between export and domestic prices.

Q. (By Mr. LITCHMAN.) I understood you to say that these goods sold at less than cost?—A. No; I do not think so as a rule; sometimes.

Q. Then, if they are sold at less than cost, is not your concluson faulty if you base your conclusion on goods sold at a profit?—A. I said when they sold to be delivered in six or eight months in the future, as I believe rails and billets are at the present time, that would fix a fair price on which to make an estimate.

Q. (By Mr. Jenks.) Does that principle apply to the other estimates that you made as to tariff profits, or were other methods employed in other cases?—A. In the case of tin plate the difference at which they are willing to sell to domestic consumers and exporters is $1 per box.

Q. (By Mr. Farquhar.) Where do you get your figures for that?—A. In New York from people who are engaged in the exporting business.

Q. What is the amount exported at that lower price?—A. I think the amount is comparatively small.

Q. How large?—A. That I can not say, but they are offering it extensively to exporters at $1 reduction. That is, practically all of the exporters of canned goods who are now using foreign tin plate are offered by the American Tin Plate Company a reduction of $1 per box upon their goods. One dollar is not quite enough to tempt them to use American tin plate. In some cases it has done so.

Q. In the case of your general assertion that the tin plate and steel and wire trusts made twelve millions a year, how do you arrive at those figures?—A. In the case of tin plate I arrived at them principally from their yearly statement of profits, and while I think their statement is probably too low, yet I took a lower figure as to the amount attributed to the tariff.

Q. (By Mr. Jenks.) In the case of tin plate do you assume that all the profit is tariff profit?—A. Yes; practically.

RELATION OF THE TARIFF ON TIN PLATE TO THE TIN-PLATE INDUSTRY.

Q. (By Mr. Litchman.) What would be the result if the tariff was removed on tin plate? Would not that wipe out their profit?—A. Yes; probably.

Q. What would be the result then?—A. The result then would be that they would have to sell to us the same as they sell to foreigners at the present time.

Q. But if they sell to foreigners they are seeking to establish a market and to dispose of surplus products in order to keep the mills running. Why is not that legitimate?—A. As I say, I do not think the mills sell at a loss to be delivered six months in the future.

Q. That may be a means of getting the market, may it not?—A. Yes.

Q. In that case would it not be a legitimate transaction?—A. I think it would be.

Q. Would you advocate the destruction of an industry that supplies many million dollars' worth of tin in this country for the sake of carrying out your theory of free trade?—A. It is beyond destruction by the removal of tariff duties.

Q. Do you believe you could remove the profit on the manufacture of tin plate without reducing wages?—A. Yes; I think wages would go up, because there would be more labor employed.

Q. How could tin plate be made if you reduce the power of consumption—the wages paid to labor?—A. The power of consumption is determined by the consuming ability of 70,000,000 to 80,000,000 people not engaged in the production of tin plate.

Q. But your same policy applies to all mechanical industries?—A. It applies to probably one-quarter of the manufacturing industries.

Q. The tariff applies to all industries, however, does it not?—A. No; the agricultural industry has a nominal tariff, but it is practically inoperative.

Q. I am speaking now of mechanical industries.—A. No; for the great bulk the tariff is inoperative.

Q. Is it not inoperative because we have established industries here, and if you remove the tariff will you not instantly bring in foreign competition?—A. I can not say as to what produced the industry here, but I am taking the results as we have them.

Q. What do you think established the tin-plate industry here?—A. I agree with Mr. Atkinson in the statement that we would soon, even without a duty on tin, have been producing black plates largely, and that the industry would have come within a few years anyhow, without a duty or at least without an increased duty.

Q. Had there not been an attempt for several years previous to 1890 to establish the tin plate industry in the United States?—A. Yes; and the failures were attributed to the high price at which the pool in black plates held those plates.

Q. All black plates are made in Europe?—A. No.

Q. That was the claim in 1892, that we could not make tin plate in the United States. Two reasons, if I remember rightly, were given. One was that claim and the other was that we did not produce black plates. What is your opinion about that?—

A. Whether or not we produced black plates, I remember distinctly that we have documents in our office showing that the price on steel sheets, and, I think, on black plates, was made by a pool in this country—the tariff enabled the pool to make those prices, and it prevented the industry of tin-plate making.

RELATION OF THE TARIFF TO WAGES.

Q. Have you been a manufacturer yourself?—A. I have been a small manufacturer in some lines.

Q. Have you been a workman at the bench?—A. Yes.

Q. What is the reason of your apparent enmity to labor organizations?—A. I have no enmity whatever to them; on the contrary, I wish to see labor prosperous and wages as high as possible.

Q. Do you think an organization that establishes a certain line of wages establishes that rate of wages any lower than they desire to obtain?—A. The rate of wages is determined by the supply and demand. The labor gets all it can; the employers pay as little as possible, as a rule.

Q. Do you think that the labor of this country could get as much in the market of the United States if it had to compete in its products with the labor of other countries?—A. It does that at the present time. We are supplying the world with iron and steel goods; 60 per cent of England's consumption of wire nails, according to the testimony put before you by Mr. Gates, comes from this country; so the products made by our high-priced labor do compete now all over the world.

Q. Are there any products of foreign labor sold in the United States?—A. Yes.

Q. I mean in the steel industry?—A. Yes. I believe so.

Q. How large a proportion?—A. Of iron and steel goods I think we import about 15 to 20 per cent as much as we export at the present time.

Q. We have here in the United States a great home market that belongs to our producers. Now, if that market is invaded by goods produced by foreign labor, do you think that is going to be a benefit to the United States labor?—A. This market here belongs to our own producers when they treat us, in my opinion, as well as they treat foreigners. The foreigners do not pay the tax that protects these industries. On the protective-tariff goods the foreigners get the benefit of lower prices, and we are charged much higher prices.

Q. You make that as an assertion, but you have not produced the evidence?—A. I think I have produced a great deal of evidence.

Q. Do you believe that the prosperity of this country depends upon the ability of its labor to consume?—A. Indirectly, yes.

Q. Is it not directly?—A. No. The prosperity of this country depends directly upon its ability to produce cheaper than other countries can produce.

Q. Is not the power of the individual to consume dependent on his earnings?—A. Yes; in a measure.

Q. Then, if it is true of the individual is it not true of the whole nation?—A. Yes; but that would be indirectly.

DIFFERENCE BETWEEN TRUSTS WITH AND WITHOUT TARIFF BENEFITS.

Witness (continuing). In conclusion, I wish to state that I have considered but a few samples of the numerous tariff trusts. Mr. Norris, of the New York Times, explained to you the ways in which the duties on paper and pulp enable the print-paper trust to control production and prices. You have been told of the "hold up" of the American people by the Plate Glass Trust, which, by the aid of high tariff duties, has raised prices 150 per cent within 3 years. With such object lessons before us, is it not clear to all that the tariff does foster and protect trusts, and that it is not to-day a dead letter, as many suppose?

Compare with these tariff-cemented trusts some of those unfortunate ones which can not avail themselves of tariff duties or other special privileges. Some of these are the ice, biscuit, flour-milling, fisheries, and rice-milling trusts. See what happens to these trusts when they attempt to imitate the protected trusts and to put up prices unduly! Somehow their prices will not hold. They can not prevent competition for any considerable time and they soon come to grief. The United States Flour Milling Company has had to reorganize with less than half its original capital. The Rice-Milling Company and American Fisheries Company have greatly reduced their capitalizations. It is useless for a trust to attempt to pay big dividends on watered capital unless it enjoys special privileges of some kind.

The ice trust started last year to behave like other trusts. It notified its customers—at least in New York City—that the price of ice to ordinary consumers would be 60

cents per hundred after a certain date. Within a few weeks ice was being sold in New York City at the ordinary prices of 25 to 40 cents per hundred. The newspaper agitation at the time may have aided the small independent concerns in getting customers from the trust, but conditions were and are against fancy prices on ice, and the natural evolution in this industry would soon have brought about the same results even if the newspapers had remained quiet.

The first step in the solution of the trust problem is to remove protective-tariff duties. When we have cleared the field of tariff trusts we can look around and see better with what other kinds of trusts we have to deal, and how to take away from them the other special privileges which make them dangerous and harmful, instead of beneficent and useful.

(Testimony closed.)

Boston, Mass., *February 19, 1901.*

TESTIMONY OF MR. HENRY W. LAMB,

President New England Free Trade League.

The special sub-commission met in the rooms of the Home Market Club at 2.15 p. m., Mr. Clarke presiding, at which time Mr. Henry Lamb appeared as a witness, and, being duly sworn, testified as follows:

PERSONAL STATEMENT OF THE WITNESS.

Q. (By Mr. Clarke.) Please give your name and post-office address.—A. Henry W. Lamb, Brookline; member of the firm of Lamb & Ritchie, Cambridgeport, Mass.

Q. Are you president of the New England Free Trade League?—A. Yes.

Q. You may tell us about the membership, organization, and object of the league.—A. The object of the league is, briefly, to free our trade, our industries, and our people from all tariff taxes, except those imposed for revenue only, and its methods to enlist the conscience, intelligence and patriotism of the people of New England against the policy called protection, which now taxes the whole people for the benefit of the few.

Q. We shall be pleased to have you proceed in your own way to develop your ideas as to how the tariff affects our industries injuriously, and if it will not disconcert you, we may ask a few questions from time to time; or, if you proceed with a regular statement, we will reserve the most of our questions until you are through.—A. The subject is broad. I had expected that testimony was to be taken solely upon one aspect of the bearing of protective taxes, namely, on the manner in which they affect what have come to be known as trusts. I had no opportunity, of course, to prepare myself on any aspect of the question, but on that one I jotted down a few heads under which I will proceed, with your permission, and I shall be very happy to add at the close of my testimony a brief general statement.

DEFINITION OF TRUST.

I do not know how far I should go in definition, but I do think it is desirable to avoid misunderstandings or the possibility of quibbling, and for that reason allow me to take, for my own purposes, this definition of a trust: An organization which has a practical control or monopoly in this country. The term trust is not a good descriptive name, but at any rate that is what, so far as my observation goes, the word has come to mean. Therefore, to save any misunderstanding, I wish to say that when I refer to trusts it will be to organizations which have a practical control or monopoly in this country.

TARIFF TRUSTS IN COMPARISON WITH OTHER TRUSTS.

I have no intention of discussing trusts in general. I believe that there are objections to all such organizations; I believe also that there are advantages in them, and that it is still a question as to the balance between the evils and the advantages. But what I do desire is to prevent the evils, and the remedies for those evils are not always apparent.

Yet there is one class where the remedy, it seems to me, is not only apparent, but especially plain and just, and the remedy is a good thing in itself. I refer to the class of trusts that I call tariff trusts—that is, those which are protected by the pro-

tective tax in the tariff. The evils in the other trusts are almost always limited; the evils in the tariff trusts are generally limited only by the rate of the protective duty.

I should say the trust in general, outside of the tariff trust, takes this position: "We are rendering a service better than anybody else can render it." The position of the tariff trust seems to me to be this: "Nobody shall render this service but ourselves; whether it can be rendered better by anybody else or not, nobody else shall render it." That, I should say, is the broad distinction between trusts in general and the tariff trusts.

I ought further to say that I have no accusations to bring against specific tariff trusts; that my relations with them are personally pleasant in several lines of business. I must myself plead guilty to being to a small degree a stockholder in some of them; but what I do desire is to prevent the United States Government from aiding them in obstructing service, for that is what they do. It is evident that if somebody else can render services cheaper than these tariff trusts are rendering it, and nothing in the world but the tariff prevents that service being rendered more cheaply, then the service is obstructed.

EVILS OF TARIFF TRUSTS—INJURY TO EXPORT TRADE.

Now, there are several aspects of these trusts, and several ways in which they affect not only the consumer, but the business interests or industries of the country. They seriously affect the growing export trade, and the smaller the trade, and the more recent the beginning of it, and the more it needs fostering, the harder the trust bears upon it.

The tariff trusts sell their goods abroad cheaper than they do here, and this they are enabled to do by the protective tariff. If the goods are imported into this country, a duty must be paid, which enhances the price; the trusts are therefore able to a certain extent to extort from the consumers here more than they can secure if they wish to sell abroad. They do desire to sell abroad, and they therefore sell abroad at a much lower price than to corresponding consumers in this country. Some specific instances will fairly well illustrate that. They have done this, for instance, with nails, wire nails, steel rails, steel billets, steel bars, etc. Now, this is a tax on the export business. A man that is going to produce goods into which these things enter, and send them abroad where they must compete with foreign products, is at a disadvantage at the outset by having to pay more for his materials.

If you will allow me to present a small instance of that it may serve as an illustration, though not of itself of great importance. The sheet-metal industry in this country was growing very rapidly a year or two ago. It has had serious checks in this last year or two, owing to the increase in price of the sheet steel, put up by the combination. There was a time, in 1898 let us say, when the makers of sheet steel in this country, competing with each other, had put down the price, so that they were rendering great service in supplying steel sheets and galvanized sheets at a low price. The result was not only a growth of the industry in this country, but also the beginning of a healthy export trade. It was largely a question of price whether these goods, such as eaves troughs, and conductor pipe, and other things made of galvanized sheets, could be sent to Canada, and we had already begun to see an export trade growing up; but that export trade has disappeared since the great advance in the price of steel sheets. Galvanized sheets are now very high—higher than the other kinds of steel to which I have alluded; higher in proportion. Of that fact I can satisfy you by a simple table of prices, but you can easily find it yourselves from any metal reports. Galvanized sheets are among the things which are exorbitantly high. That export business has almost entirely disappeared. There was the beginning of a healthy business. Canada is an admirable country for corrugated conductor pipe, for instance; corrugated to allow for the expansion of the water in freezing. Canada is a country where that would be used much more than in the south of the United States. That export business has almost entirely disappeared; the goods are made largely in Canada, because the material is so much cheaper there. The labor-saving devices save some labor, but not enough to balance the increase in cost. How far also Canada will go in retaliatory duties I can not say. That is outside my present testimony.

Q. Is Canada our principal market for that kind of goods?—A. I do not know of any other outside of the United States. The market must be, of course, a cold country. The particular goods to which I have alluded would not sell in a warm country to any considerable extent.

Now, that is an example of the manner in which I fear tariff trusts will affect our growing export trade. A great many people look only at the great exports of staple products; I mean the great staples such as steel rails and steel bars. Their attention

has been directed to these. They are great in quantity, and they will grow; but there is another class of export trade—the Yankee-notion class, which comprises almost everything; all sorts of manufactures of steel and iron; and in every instance, of course, the extra price that the producer in this country has to pay for his steel or iron above what his foreign competitor has to pay is so much of a handicap. He may be able to carry on the business, but why put the tax on him? Why oppress him?

I ought to state that the rebate paid in the form of a drawback, while of assistance to an industry with an export trade already established on a large scale, is not possible in the case of a small business, or, if possible, is extremely difficult to obtain. In the case of a small business, when the trade needs fostering, it can not get the rebate. You see the large industry that uses foreign material for foreign export trade keeps separate departments—a department especially for export trade. In such an establishment as Governor Ames used to have, you would find a special department for foreign trade.

Q. The shovel industry?—A. The shovel industry. Anything that was used in that department, where any saving could be made, was purchased abroad, and an exact account of it could be kept and an exact demonstration made of its use in the exported goods and the rebate secured. But in the small industries, in the case of novelties, that rebate is difficult to obtain. Special rulings have to be obtained, and there are other difficulties. One is the difficulty of demonstrating that a given material has actually been used. That involves considerable expense and a publicity that many manufacturers do not desire.

EVILS OF TARIFF TRUSTS—CHECK UPON DOMESTIC BUSINESS.

Then, I should say in domestic trade the effects of these tariff trusts and their extortions are still worse than in foreign trade. They are not, perhaps, so readily seen. In the first place, there is the effect upon the consumer as far as trade is concerned. It stops him from buying. It will not always do that. Rises in price will not always stop buying, because many other things come in. A great many other things lead to brisk trade, but the trade is always checked, whether it is brisk or not, by the arbitrary rise in price; no question that it would be larger if it were not for the higher price.

That is what we have seen in these steel trusts. They have imposed a great check on building operations. Surely no better proof could be desired of that than the fact that the steel trusts themselves were forced to lower their prices. But they have not put them as low as they should. They have found, finally, that the exorbitant prices they were asking affected their business so injuriously that for their own interests they lowered the price. But they were some time in finding it out. The whole year 1899, almost, was a year of great oppression to those engaged in building operations. Where they had no contracts already made at the low prices, there was a serious check to building. I could cite an instance in Boston where a large building was rented. A competitor of the tenant desired the owners of that building to put up one just like it for him; but they could not rent it to him at the same price because of the exorbitant increase in the cost of building materials. There was a case where building was checked and industry was checked and trade was checked, all by the arbitrary increase in price.

It puts the whole business of the country, in the line of one of these trusts, entirely at the mercy of the few who control the trust. Their judgment may be good or it may be bad. If it is bad, and they keep the prices up, the whole industry of building, for example, is checked. They may, on the other hand, have good judgment. There are some monopolies that are regulated by men whose business judgment has been singularly sound in that respect; but I urge that experience has repeatedly proved it unsafe to give to any set of business men such arbitrary power over the business of the whole country, as is bestowed upon these trust managers by the protective taxes in our tariff.

EVILS OF TARIFF TRUSTS—ARBITRARY PRICES.

Now, another instance of the manner in which the tariff trusts affect business men as distinguished from consumers—the way they affect the great mass of men. The increases in price are all arbitrary. They are not based on the law of supply and demand or upon the general run of the market, and the business ability which consists in foreseeing the occasion for a rise and in providing for it, is eliminated entirely. The same thing takes place in regard to arbitrary drops. When a trust, such as the lead trust, for its own reasons drops the price, it is done without warning. Lead, for

example, was $4.70 per hundred pounds or $4.75, and in the year 1900, suddenly and without any warning, the managers of the trust made a large drop in the price, and then another, until the price had reached $3.75. That was a relief, certainly, to consumers who happened to be in the market just at that time. It was done probably for certain business reasons relating to the purchase of ore, and when these objects were obtained the price was again arbitrarily put up, until now the price for lead is $4.37½. Now, it would do you good to hear the comments of the business men in the metal trade. They do not speak to me as moderately as I am speaking to you about the changes in the price of lead by the trust. With a system of open competition, it is evident that whatever causes affected the price of lead, the rise and fall would have been more gradual—would have been more evenly distributed—and the oppression on anyone who had laid in a stock of goods at the time of the high price would not have been so great. That is an instance of the way the trusts affect business.

I do not know how many trusts there are in this country, but I think it is safe to say there are a great many of them that are not in any way protected by the tariff. Yet they are, many of them, the creatures of the tariff in this way, that they have been formed for self-protection against the tariff trusts, and in that way they are caused by the tariff.

The organizations of middlemen are in that sense trusts. They are combinations to secure a monopoly in certain districts, and in very many cases these organizations are due to the absolute necessity for self-protection by these business men against the exactions and the caprices of the trust, and they are formed to avoid the effects of these arbitrary rises and drops of the price. I am inclined to think, from what I have seen in the newspapers of evidence given before this commission, that sometimes there is retaliation on the part of these organizations; that it is "diamond cut diamond," and that the tariff trusts are thus led on to strengthen themselves against the demands of the other organizations, for which the tariff trusts themselves are to blame.

EVILS OF TARIFF TRUSTS—RESULTS OF LACK OF COMPETITION.

Then, consider some of the effects of lack of competition. In the first place, there seems to be a disappearance of services that were formerly rendered. How far that evil will be cured later on remains to be seen. The middleman rendered a service, or he would not have been paid for it; and it is probable that a part of the service which he rendered will be so much desired that he will come back. He has been crowded out in many cases by the trust, and the service he used to render is not now rendered at all. For instance, there were certain men whose information as to the different mills that make sheet steel or tin plates was of value to their customers. But the trusts fill the orders of their customers from the mills where it is most convenient for them to do so. That is an example of the kind of service that has been wiped out, leaving the consumer at the mercy of the trust.

The same way with delay. Under a system of competition, during the period when the steel combinations were not in existence, the purchaser could choose from all the sellers in the market, and there was rarely a time, even in a period of brisk business, when it was not for the interest of some mill to agree to furnish its goods promptly; but where there is but one seller, the trust, it is perfectly obvious, and has been proven by experience, that the trust will fill that order when it is for the advantage of the trust to fill it. Instead of a lot of separate competing concerns striving to render the service, and so anxious to render it that they will furnish the goods promptly even at the cost of some little disadvantage, the order is now taken by the only seller that there is, and is filled at the convenience of that seller.

That is exactly what takes place, of course, with any monopoly, whether a tariff trust or a street railroad. The street railway, of course, runs its cars for profit, and it may render a great service to the community, but there are certain times of the day when the street railway does not run as many cars, and it is governed in that matter by a question of dollars and cents. How far it will push its narrow view of profit and loss depends on the sound business judgment of the men at the head of it. If they are not men of sound business judgment, they will push it so far as to incommode their customers, and that is exactly what some of the managers of the trusts in this country have done. They have filled orders only when it was convenient for them to do so. They have filled orders from the individual plants they chose to fill them from, and often with considerable inconvenience to the customer.

That, I believe, you will find to be the universal testimony of every man engaged in the wholesale metal business in this city. I do not, of course, know all of them personally, but I know many of them; and if it may be admitted as testimony—it is, of course, hearsay testimony—all, without regard to political party, and without

regard to whether or not they share my beliefs about protection and free trade, unite in complaining about the inconvenience and losses to which they have been subjected since these great steel combinations, such as the American Sheet Steel Company and the American Tin Plate Company, have been formed.

Now, I have not mentioned these two companies because I think they are worse than others, but because I daily hear complaints of that sort about them. I have the most pleasant relations with the gentlemen who manage both these companies. I have not myself been a very great sufferer from these inconveniences. I have suffered somewhat, but my complaint is not on my own account; it is the usual complaint of business men.

Then take the matter of deterioration. I suppose that wherever competition ceases the spur to produce goods better becomes less sharp. About a year ago I was gratified by having a man come to me after I had made that statement and give me a little bit of personal information. He said that the superintendent of a certain wire works had said to him: "My object in life is gone. I used to take a pride in producing the best wire made in this country. It is all one now." I was interested in that statement, but after a time it passed from my mind. Within a month the foreman of one of our departments where we used wire came in and said: "The wire we have been getting for some time is inferior to what we used to get." It seems to me you have there testimony from both ends as to the deterioration in the product that takes place when the stimulus of competition is removed.

The object of my talk thus far has been to show that, whatever of benefits there may be in combination, there are evils, and I can not help feeling that, with the power which this commission has to send for persons and papers and obtain figures which it would be impossible for me to obtain, you will find these statements of mine to be borne out as to the evils of combination.

REMEDY FOR THE EVILS OF TARIFF TRUSTS—THE BABCOCK BILL.

Now, if I may assume that I have given you some ground for supposing there may be evils in these tariff trusts, let me inquire whether there are benefits in combination: and if so, whether the community gets the benefits in the case of the tariff trusts.

I think this may be said, that wherever an organization has a practical control or monopoly in this country and has taken advantage of its protection by the tariff to raise prices arbitrarily, it is perfectly evident, without further argument on my part, that in that case the benefits derived from combination are taken by the combines and not given in any respect to the community. We have in these cases the evils without the benefits. We have extortion practiced on the consumer. We have inconvenience and loss occasioned to the middleman who is still found to be of use. We have deterioration in the product. We have a tax on the growing export trade. We have all these evils. The community bears them all and does not derive one of the benefits that there may be in combination.

I do not care to discuss the general question of trusts, or whether the evils of great combinations balance the benefits derived from them, as I said before. What I desire to see in legislation affecting trusts is something that will not interfere with the benefits of combination, if there are any, but will insure the sharing of its benefits with the community. I see no other way in the case of tariff trusts than the removal of the protective tax.

I have recently seen the bill introduced by Congressman Babcock. I have some hesitation in speaking of that bill. It would require very long and careful study to say exactly what its effect would be. It is evidently a capricious bill, because it omits many articles in Schedule C, the metal schedule, where it has included others of a very similar nature. But, while not being willing to say that that bill is a thoroughly excellent measure, I do desire to see it passed, because I believe that it would be a very good step in the right direction.

My own position about such measures is this: I have no part in the making of the laws of this country; that duty belongs to those to whom the people have given it. The only part that I take in relation to it is educational. I believe that there is a great evil in the protective tariff, and that there always has been, and I am always glad of an opportunity to state my case. But when you ask me what I desire for a remedy, I say that I wish first to convince you of the evil, and then whatever rational step you may take to remedy the evil, I desire to support you in it. If you won't do it my way, do it your way; only do it. That is the position I am ready to take, because I believe that every step of progress in that direction will inevitably lead to another. If they start with Mr. Babcock's bill, I do not believe they will let the other tariff trusts alone. That is why I give my approval to such a bill as that.

EFFECT OF THE PROTECTIVE TARIFF UPON THE COUNTRY'S INDUSTRIES.

I wish to add just a few words about the general question of the effect of the protective tariff on industries. When it was proposed to increase the rates in 1897, I tried very hard to get some of my friends here who were protectionists to say how they expected that increase was going to do any good to trade. It was very difficult to get them to say exactly, but I think some of them said that they expected the increased duty would benefit industry in this country, because it would check the importation of goods in competition with those which were made in this country. I asked them how much they thought these importations would be checked, and that question they generally did not answer; but as well as I could learn, some of them expected it would amount annually to $200,000,000. Now, as a matter of fact, the importations have not been reduced to that extent; but it may fairly be assumed that they have been shifted; that the importations that have taken place have been on different lines, so that possibly a change in imports has occurred of considerable amount. I asked what proportion of the annual trade of the country they thought that $200,000,000 was, and as well as I could make out there was no great difference of opinion—it was only a fraction of 1 per cent of the trade of the country.

It seemed to me, therefore, that was an instance of what I have always claimed, that business prosperity is not a question of high duties or of low duties. I myself do not ever care much to discuss the protective tariff from that standpoint. I do not believe that a high tariff tax always injures trade, or that a low one always promotes it, or vice versa. I think the great factors that affect trade, that cause commercial expansion or commercial depression, commercial activity or commercial dullness, are far beyond any control through changes in the tariff policy. That is what I think about the direct effect of the tariff on the industries of the country.

THE TARIFF CONSIDERED WITH REFERENCE TO THE SOCIAL QUESTION.

But there is an indirect effect on the industries of the country, and that is in connection with the social question. I can not believe that any industrial system is well founded that is based upon privilege, upon taxing the whole country for the benefit of the few. The number of those who would be directly exposed injuriously to the competition of imported foreign products, if every protective tax were swept away, varies from 6 to 7 per cent of all our workers, and a few years ago it must have sunk far below 5 per cent. I can not believe that any industrial system is sound that is founded on an injustice like that. I believe as the people find that out they will be more and more discontented; and I think now that much of the discontent in this country, which has manifested itself in ways with which I am very far from being in agreement, is at bottom based on this grievance. I think that the mass of the people in the West and South have felt that something hurt them, and that it came from the East and North. I do not think it is a good thing for a country to have that sectional feeling.

Then I see also the bad effects of educating people to look to the Government for legislation in their behalf and in behalf of their immediate circle of friends. Instead of trying to secure relief by removing all favors from the few, they are showing already a tendency to have the Government extend its favors so as to take in my class or your class or some other class.

It seems to me one rule for all is the only sound rule, and that is justice. That is my great objection to the protective tariff, that it is not just; and, I say it with regret, throughout the history of protective tariffs in this country, it has been possible to impose them only by improper influence.

THE RELATION OF COMBINATIONS TO THE TARIFF.

Q. (By Mr. LITCHMAN.) Are there not combinations in foreign countries?—A. I have never been over; I do not know. I hear there are.

Q. Are those combinations fostered or encouraged by protective tariffs?—A. Not in Great Britain.

Q. Then it does not necessarily follow that the combination is the protégé of the tariff?—A. No.

Q. How would you reach a combination that was not the special favorite of the tariff?—A. I should study that after I had reached the one that I see the plain remedy for.

Q. How far, in considering this matter, have you considered its relations to the workingmen?—A. A good deal. I have been rather interested in some of the testimony that your commission has taken. One gentleman has increased the price of his products some 150 per cent and increased the price of his labor 5 per cent.

Q. Was there not any reason given for that discrepancy? Is it fair to make that statement alone without the explanation that went with it?—A. Yes; I think it is fair. He did give explanations, but it is fair to make that statement alone, because the explanations were worse than inadequate.

Q. Supposing that his raw material had gone up sufficiently to justify that increase in the cost of the product?—A. The materials which he cited were quite a number of them also the recipients of tariff bounty, but the rise in them only accounted for a portion of the extortionate increase in his selling prices.

Q. Have you gone into the subject far enough to make any comparison between wages paid in this country and in Europe in the same industry?—A. Yes; I was much interested in the testimony of that gentleman. The wages that he presented were in every case wages by the month and not by the piece. It seems to me that comparison of wages by the piece is the only fair comparison. I have not gone into that; I have not the leisure, the means, or the opportunity.

Q. Assuming the statement generally made to be true, that the wages in this country are twice as high as they are in competing foreign countries, do you not think a reduction in the tariff or a removal of the tariff would affect wages paid to labor?—A. That is a good deal of an assumption to make. I never have considered that, because I have never considered such an assumption to be true.

THE TARIFF WITH REFERENCE TO THE GENERAL CONDITION OF THE COUNTRY.

Q. Do you think the condition of the country generally is any better to-day than it was 4 years ago?—A. Yes.

Q. To what do you ascribe that difference?—A. To the general commercial activity that has swept over the whole world, and further to the very fortunate combination of circumstances that led to our ability to supply great exports of agricultural products at a time when there was a short supply and a great demand for them.

Q. What do you say about the conditions from 1890 or 1894 to 1897? Can you explain the conditions in a similar way?—A. Yes. I should say we shared in the very general commercial depression that existed all over the world so far as I am aware, aggravated, of course, by the condition of our currency. We should have been able to meet the depression better with a sounder currency.

Q. Do you think the tariff policy of the Government from 1894 to 1897 had anything to do with the condition of affairs at that time?—A. I do not. I can not see that it could have affected it to any great extent. It may have in individual instances, but not in general. So far as business generally is concerned, it somewhat improved as a matter of fact after the passage of the tariff in 1894. There was a steady improvement from then on, though very slow; but we did not get out of our troubles until the enormous effect was felt of our fortunate circumstances, which I have just explained.

Q. The advantages of production without the imposition of a tariff are enjoyed by Great Britain, which is one of the largest competitors of the United States?—A. Yes; without the interposition of a protective tariff; she has a very large revenue tariff.

Q. Was there not a large importation to this country of certain lines of goods from 1894 to 1897, which goods are not imported at the present time?—A. Yes.

Q. What is the reason?—A. In the first place, between 1894 and 1898, in many lines the cost of production in this country was very greatly lowered, so that it no longer became advantageous to purchase goods abroad. They could be bought cheaper in this country.

Q. Well, immediately after 1894 the importations of certain lines of goods increased?—A. And some decreased.

Q. And some decreased; but those on which there had been a revision of the tariff increased?—A. Of some that was true; but they increased for a while and then fell off again. They fell off when American producers met the competition.

Q. How were they able to do so?—A. By virtue of the facilities and wonderful natural resources of this country.

Q. Did they not also meet it by a reduction in the price paid to labor?—A. In some cases, yes; in some, no.

Q. In most cases did they not so meet it?—A. I think not.

Q. Can you state a single leading industry under the protection of the tariff that did not reduce wages from 1894 to 1897?—A. I have not the figures here. I can give you my recollection. It is that the great drops in wages came before the competition was thus met; that there were drops in wages about the time of which you speak, but these drops had already taken place.

Q. How far were they precipitated by a forecast of the conditions that to manufacturers seemed inevitable?—A. I do not think they were caused in these special lines

by other causes than those that led to a reduction of wages in many lines not at all affected by changes in the tariff. There was a very general depression, to which we have been alluding—a depression in all lines. Not only were the wages of the very small percentage of our workers who were exposed in the slightest degree to foreign competition lowered, but there was a general lowering of wages. What operated in all industries of the country generally is a sufficient explanation, rather than what took place in particular instances.

Q. Do you recall any drop in wages preceding the tariff agitation of 1887–88—along there?—A. I am not informed.

Q. Do you recollect any increases in wages under the McKinley tariff?—A. Very few.

Q. You recollect there were some?—A. A few.

Q. And you, of course, know of increases in your own rate of wages since 1897 under the Dingley bill?—A. Yes.

Q. You regard it simply as a coincidence that the increase took place?—A. No; I think it was caused by the revival of commercial activity.

Q. You think it has nothing whatever to do with the restriction of the American market to American products?—A. In some few cases it may have; in the general run of cases, no.

THE TIN-PLATE INDUSTRY WITH REFERENCE TO THE TARIFF.

Q. You refer to the tin-plate industry in one of your illustrations. In your own line of business are you users of tin plate?—A. To a small extent.

Q. May I ask you, briefly, what is your own line of industry?—A. Sheet-metal goods made of tin plates and copper and sheet steel, with some specialties in addition.

Q. Pressed tinware?—A. That is but a small part of our business.

Q. You are familiar with the tin-plate business covering a period of 10 or 12 years?—A. Oh, yes.

Q. Can you give the price of 100 pounds of standard tin—taking some particular grade—in, say, 1889, and using that same grade further as an illustration, give the prices down to the present time?—A. I can.

Table[1] showing prices of tin plate per pound.

Fiscal year.	New York price.	Price in bond.	Fiscal year.	New York price.	Price in bond.
	Cents.	*Cents.*		*Cents.*	*Cents.*
1889	4	3	1896	3.5	2.4
1890	4.2	3.2	1897	3.2	2.4
1891	5.1	3.6	1898	3	2.3
1892	5.2	3	1899	3.4	2.5
1893	5.1	2.9	July 1, 1899	4.2	3.6
1894	4.9	2.7	July 1, 1900	4.9	3.5
1895	3.9	2.5	July 1, 1901	4.4	3.2

Q. Can you recollect approximately the amount of tin plate produced in the United States in 1889?—A. Without any difficulty. There was practically none.

Q. And do you know how much was produced in 1900?—A. There was produced 7,500,000 boxes, 100 pounds to the box. That would be 750,000,000 pounds.

Q. Can you give any reason for the vast increase in the industry in the United States?—A. Yes; the fact that we have not been allowed to purchase tin plate elsewhere.

Q. Do you also recollect the comparative price of 100 pounds of tin plate in 1889 and in 1900?—A. Yes; it must be remembered that the price in 1889 was not the price of the tin plate. It was the price of the tin plate with $1 a box added. That was a heavy duty.

Q. Was not that purely a revenue duty?—A. It was at that time; it produced revenue and nothing else; it was a heavy revenue duty.

Q. Is not that the duty that you favor?—A. Please excuse me from saying that I ever favored any revenue duty. I do not object to revenue duties, but please do not say that I ever favored that duty.

Q. I understood you to say in the beginning that you favored a duty for revenue?—A. I do not attack revenue duties; I do not concern myself with them.

[1] Above table was later supplied by the witness, with the following explanation: "The request for return of revised proofs within 3 days compels me to give a table which I have at hand instead of exactly the figures asked for. The difference, which is immaterial, is this: First, the figures happen to be prices per pound instead of per hundred pounds though exactly proportional. Second, instead of selecting one grade I give the price per pound on all tin plates consumed."

Q. You can, of course, differentiate the terminology to suit yourself; but I understood you to say at the beginning that you were not in favor of any duties except duties laid for revenue?—A. Except duties laid for revenue only—the word "only" is important.

Q. Was not the tariff duty on tin plate levied for revenue only in 1889?—A. No; I must say that I believe it was laid with an ulterior purpose; that so far as revenue was concerned, that duty would have been swept away in 1883.

Q. Can you recall approximately the amount of importation of tin in 1889?—A. About 7,000,000 boxes.

Q. That was nearly the entire production in the United States in 1900?—A. Oh, the consumption must have grown since then; it certainly has.

Q. (By Mr. CLARKE.) Do you know how many people in the United States have been given employment directly in the new tin-plate industry?—A. I do not; I know how many it was claimed would be given employment. I do not know how many are employed.

Q. Do you believe that industry would have been established here but for the protective duty on tin plate?—A. It is always very hard to say what would have happened; I think that as far as supplying the western part of this country is concerned, the industry would have been established without the change that was made in 1890. I am convinced of it, from the fact that the price of steel was so greatly reduced between 1890 and 1897 and 1898.

Q. Since you object to what you call a monoply in business, as we all do, I suppose you favor the competition of different establishments in this country?—A. I most thoroughly believe in the competitive system.

Q. There are 6 independent tin-plate plants in this country, and the managers or owners of some of those plants have testified before this commission that if the duties on tin plate were repealed the effect would be to kill their plants, and therefore to kill the domestic competition with the tin plate trust. Do you think they are in error about it?—A. It is impossible to say. I think they are in error in claiming any advantages from their competition to the consumer as yet. There are no evidences in the market conditions of benefit to the consumer from their competition. At the beginning of my remarks, I called a trust an organization which has practical control or monopoly. A trust, in my opinion, may not have a complete monopoly; yet if it has such a very general control of the business that competition is weak and slight, it is still a practical monopoly. In this particular case, since those gentlemen entered upon the building of mills to compete with the tin plate trust, circumstances have considerably changed. In some cases the plants have been abandoned. In others, I have seen in metal papers that the plants have been sold to the American Tin Plate Company, thus wiping out entirely that competition which they had led us to think they were giving. And let it be said still further that the recent great combination in the production of steel would make it extremely difficult for the plants outside of the trust to compete as they did in the past.

Q. Then it is your belief that these independent plants are not seriously competing for the trade?—A. That is my information so far as I have been able to obtain it from the ordinary sources that are open to men in the metal business.

Q. What means have you of knowing that the independent plants have not had the effect of keeping the price down?—A. The fact that the price made by the American Tin Plate Company is the price that must be paid for goods in the market, with some additions of course for freight, and often a small amount for immediate service, or something of that sort. But the American Tin Plate Company makes the price, and its price is the price at which purchases have to be made.

Q. Do you think the profits of the American Tin Plate Company are excessive?—A. I do not know what their profits are. They have paid dividends on a capitalization vastly in excess of the value of their plants. In that respect I think they may be said to be excessive. They have also made additions to their surplus, I suppose. I am not informed as to their profits, but they must have been large.

Q. Is it not a fact in the business world that when any business becomes inordinately profitable others are apt to engage in it?—A. It would be a fact but for the existence of allied combinations which may prevent others from engaging in that business, and that is the case with the American Tin Plate Company. The allied combinations can practically prevent competition for a considerable time.

Q. How can they prevent it?—A. A tin-plate mill must have steel. It can not buy steel bars except from the great combination, or at any rate it can not buy steel bars at a price below the price named by that combination, which has practical control of the production of steel bars. The alliance starting from the bottom, starting from the ore, manufacturing billets, and then steel sheets, can practically drive out any sheet mill which would have to buy its billets of that combination.

Q. Is it your opinion that if the duty on steel bars or the duty on black sheets were repealed, independent plants would be able to get those articles at a lower price than at present?—A. I am not sure as to bars; I feel reasonably sure as to steel sheets. Allow me to say that Mr. Babcock's bill omits the class of steel sheets of which tin plates are made. If his bill passes as it stands (judging from the brief examination that I have so far had the time to give it), his bill would not make it possible for tinning mills or "dipperies," as they are called, to start in this country in competition with the trust in tin plates.

Q. Why do you suppose he omitted that class?—A. I do not know.

Q. Was it from accident or design?—A. I am not informed.

Q. Is the foreign price such, relative to the price in this country, that the probability is that if the duty were repealed, the makers of tin plate here could get their material at a lower price than now?—A. I am inclined to think that the eastern part of the country would import sheet steel, but I doubt if it would be possible to freight that steel very far into the country in competition with American sheet steel.

Q. But if the duty on tin plates were also repealed at the same time, would there be any occasion for importing sheet steel for making tin plates?—A. No; but anybody can make tin plates if he has the sheet steel; you could do it here in this room. A complete tin plate mill rolls sheet steel.

Q. Is it your belief that it was the duty on sheet steel that stood in the way of the establishment of the tin-plate industry before the McKinley tariff was enacted?—A. No; I think it was the high price of steel generally; that is to say, from the ore and the billet through to the sheet.

THE QUESTION OF THE DESIRABILITY OF TARIFF LEGISLATION.

Q. Now, you referred to the Babcock bill. I do not understand you as indorsing it or commending it except as an entering wedge?—A. Yes.

Q. It is your belief that that bill should be enacted, or something similar to it?—A. Something similar to it.

Q. You are aware that you can not practically in Congress amend one schedule in the tariff without opening the whole tariff question?—A. I am aware of it.

Q. Would you regard that as an evil or as a piece of good fortune?—A. It ought to be a piece of great good fortune; unless malign influences should step in, it would be a piece of great good fortune.

Q. Is it not a fact that whenever the tariff undergoes a general revision there is a considerable suspension of trade on account of the uncertainty incident to such revision?—A. Yes; but there is no need of such delays as we have sometimes seen in such revisions of the tariff. If the responsibility for delay in that case is properly brought home, I doubt if there would be a delay.

Q. Congress being a deliberative body and made up of representatives from all parts of the country, is it possible to avoid long delay?—A. I suppose that some delay is unavoidable. That is one of the objections to the protective system, that relief from its oppression can not be obtained without a certain amount of delay and injury to business. I think those that impose the taxes should bear the blame of the delay, and not those who have protested against them. They were warned against it as far back as 1824, when Webster used some words which I can only quote from memory. He said these protective taxes could not be repealed without widespread inconvenience.

Q. The fundamental principle of taxation is that it should be as nearly equal as possible; that is expressed in better language in the Constitution, and is generally recognized. Now, if the duties should be repealed on iron and steel or certain classes of them, and what you call the reform were to stop there, would not that fundamental principle be violated?—A. I do not understand how it would be; I fail to see.

Q. The duties would be taken from certain products and left on others?—A. My answer to that is that they are of varying rates now upon the different articles. They have already been taken off of some, and on others they have never been imposed; so that, if I get the bearing of your question, the inequality already exists.

Q. There is supposed to be some adjustment or equalization of duties upon articles which have close relation to each other, and which enter into products or are used in certain industries. Now, would or would not the disturbance of that relationship by a partial removal of duties impose any inconvenience or injustice?—A. It would substitute one inequality for another. Nobody has ever yet been satisfied with what you term the adjustment, and I do not believe that anybody ever will be; I do not think it possible to make such an adjustment. Therefore the change would merely be the substitution of one adjustment for another.

Q. Is it your belief that the Babcock bill could pass without the process extending further?—A. I should very much doubt it. I know nothing about what Congress might do.

EXPORT PRICES RELATIVELY LOWER THAN DOMESTIC—REMEDY FOR THIS CONDITION.

Q. Since these large combinations, which are commonly spoken of as trusts, and which you speak of as tariff trusts, are exporting some of their products to-day, how do you think the repeal of the duties on similar products from abroad would affect them?—A. I think that they would cease to export them at a lower price than the price they charge the American consumer, for the reason that otherwise they could be re-imported.

Q. Are you sure that in all cases they do export them at a lower price?—A. In some cases they do.

Q. Is there anything different in that practice from the practice of all exporting countries?—A. I suppose that it is the practice in many cases in all exporting countries. It can not be the practice to any great extent in a country that has no protective duties, however.

Q. Are you aware of the report of a royal commission to the British Parliament many years ago, to the effect that British manufacturers had to sacrifice annually hundreds of thousands of pounds sterling in building up trade in foreign markets by selling their goods at an unremunerative price in order to get a foothold there?—A. I have never happened to see that report.

Q. Now, if it is a fact that selling in foreign markets at a lower price than in the home market is common to all exporting countries, how can you charge that to the protective tariff in this country?—A. By repeating what I said before, that while that may be the case in some exceptional instances with English products, it is not the case to any great extent.

Q. You have observed that there has been a considerable increase in exports of manufactures from this country during the last decade, but chiefly during the last 3 years?—A. Yes, indeed.

Q. Have you analyzed that exportation to see what classes of goods most go abroad?—A. I have not myself analyzed the figures.

Q. If you should discover that they are chiefly the products of these great steel companies, etc.—of what you call the tariff trusts—would you still favor a repeal of those duties even though the repeal might impair their ability to gain foreign markets?—A. I believe that the other exports of manufactured products have also grown, so that they constitute a very large part of that increase in our exports. I believe that class would make a great gain and much more than make up any possible loss of export trade by the tariff trusts. As a matter of fact I am not aware that the tariff trusts sell abroad now at a loss. I believe that they could continue to export.

Q. Is it not a fact that most of the manufactures which go abroad are produced by what you call the highly protected industries in this country?—A. That question I could not answer without carefully studying the total. There is quite a good deal involved in your question as to what are the actually protected industries, so that it is difficult to answer that question without analysis.

THE TARIFF WITH REFERENCE TO WAGES—WHY AMERICAN WAGES ARE COMPARATIVELY HIGH.

Q. (By Mr. A. L. Harris.) In studying the tariff question you have given attention to the cost of production, have you not?—A. In some cases.

Q. Please give a little more in detail your information in respect to the cost of foreign labor engaged in production, as compared with the same kind of labor in this country.—A. That is very difficult. The figures that are commonly cited in the comparison are wages paid by the day or by the month. What seems to me evident on the face of it is that the cost of labor depends upon the amount that the laborer produces in a day or in a month. If you are paid $2 a day and I am paid $1, and you produce more than twice as much in the day as I do, then the labor cost of what you are making is less than the labor cost of what I am making, though in the table your wages are given at $2 and mine are given at $1.

Q. From your examination of the cost of labor, is that a correct statement of the condition?—A. It varies; in many industries it is so, beyond question.

Q. Wherein does the American have the advantage?—A. I think he has the advantage because he lives in the greatest country in the world, a free country—and he feels that he does, and he will work better here. I should like to put that first. That is one reason why I think the American workman will do more than any other workman. Then we have a tremendous incentive to effort here in the fact that it is possible for a workman to rise in this country—he believes at any rate that it is possible for him to rise—much more than in other countries, and that adds a great deal to his exertions. With that feeling through all lines of effort, I think we are perhaps not fanciful in accounting thus for the tremendous speed at which everything is done in this country.

Q. If the American market were thrown open to the competition of the world, how long, in your opinion, would the condition you have just stated last?—A. In many lines our market has always been open to the competition of the world, and other countries have not been able to touch us. Not only that, but we can send our products abroad; we have been sending them abroad and are sending them abroad now.

Q. Will you please state a few of those lines?—A. Agricultural products, to begin with, agricultural implements, rolling stock, locomotives, machinery, and a great many kinds of hardware into which labor enters to a great extent, rather than the cost of material; and I would cite in support of this statement the testimony of Mr. J. P. Sargent, of New Haven, Conn., who is one of the largest hardware manufacturers in this section. He has repeatedly given testimony to this effect, that on the more highly finished articles he has the best chance in the markets of the world. His intelligent labor, working with the best appliances and under the severe stimulus that we all have here in America, produces these finished hardware products at much better relative advantage than it could turn out an anvil—I think that was the illustration he used a few years ago. He could not begin to turn out an anvil at that time in competition with foreigners so well as he could the more finished products of hardware.

Q. Was it necessary at any time to encourage bringing about this degree of skill that you speak of?—A. No; I believe it never was. Why, we actually had to be kept down by legislation in the colonial days; we could even then do so much more; American labor actually had to be repressed, and that was one of the causes that led to the war of the Revolution.

Q. If there had been no demand for machinery in manufacturing, would our machinery have been made?—A. There always was a demand for it. We had thriving manufactures in this country before the Constitution of the United States was framed. Please read Alexander Hamilton's report on manufactures, in which he shows that they existed.

Q. (By Mr. CLARKE.) Let me ask right there if Mr. Hamilton did not state in that report that the cost of transportation between England and this country was then equal to just about one-third of the cost of the article? You would not claim that the cost of transportation is any such percentage now, I suppose?—A. That cost of transportation was one of the many advantages that our manufacturers had. I have named another one that they had, in our free people.

Q. That cost of transportation was protective, then, so far as it went?—A. Yes; all our advantages are protective.

Q. Now, the cost of transportation has been so much diminished that perhaps in many articles it is not one-tenth of 1 per cent of the price of the article in the market. That protection is gone, is it not?—A. Exactly; but when that cost of transportation existed, it was not possible for anybody abroad to render to our people the service that was being rendered by the manufacturers that existed in those days. With the disappearance of that cost it became possible for others to render them a greater service. Had our manufacturers been permitted to retain all their natural advantages, however, they could still, in my opinion, have competed in most cases, in spite of the disappearance of the advantage of transportation—not in all cases. Where they could not have competed, I believe it would have been better that they should have ceased to manufacture; but I believe that in most cases they would have continued to manufacture and prosper, and as a matter of fact some of them did prosper for a long while in those days—better than they ever have since.

Q. (By Mr. A. L. HARRIS.) Is it or is it not a fact that the greater portion of our export, at least in many lines of goods, is the surplus of this country?—A. That depends upon circumstances.

Q. But if those goods did not have an outlet, what would be the effect upon the factory in this country?—A. That depends entirely upon how you look at it.

Q. Would it not stop the factory?—A. That can not be told. In many cases the whole surplus, as you call it, could be consumed in this country at a lower price.

THE TARIFF WITH REFERENCE TO WAGES—WHY CHEAPNESS OF PRODUCTION IS DESIRABLE.

Q. Are the consumers in this country to-day suffering from high prices?—A. Some of them are.

Q. Taking the leading articles of consumption, would you say the people are suffering from high prices?—A. Yes. I should say that in many lines, not only those where there are trusts protected by the tariff, but in other lines protected by the tariff, the people of this country are suffering from not being able to satisfy their wants as cheaply as they ought to satisfy them—in other words, from having to pay more than a dollar for a dollar's worth of goods.

Q. What is the American workman's earning capacity?—A. Very large.

Q. What is it compared with the earning capacity where cheap goods are made?—A. It ought to be much larger.

Q. As an economist do you favor cheapness in everything?—A. You rather flatter me by calling me an economist; I am a plain business man. In reply to your question, I favor cheapness because what the whole world is striving for under the competitive system is cheapness, or the same thing, superiority in product; that is, giving more for the same amount of money is what the whole world is aiming at. It is so with the scientific man, the chemist who is working in the hope that he may devise new processes; with the machinist who is trying to invent some labor-saving device; with the laborer who is trying to learn to run one more loom than he has been running, so as to turn out more goods cheaply and get a little more pay; with the manufacturer who is employing all these people and all these means, in order that he may render service to the community cheaper and better—better and therefore cheaper—than it has ever been done before; and with the middleman who is furnishing his information a little bit cheaper than he used to, in order to be allowed to render the service. Through all those lines, discovery, invention, labor, manufacturing, trade, business, and transportation, we are straining every nerve to do the thing cheaper than it has ever been done before, or better and therefore cheaper.

Q. (By Mr. LITCHMAN.) Do you think that point has been reached to any extent at the present time in all these lines you have instanced?—A. I do; I think the protective tariff has interfered with that progress.

Q. And yet, in spite of the tariff, progress has been made?—A. Exactly; I believe I said earlier that there were great natural laws that no human law could entirely eliminate.

Q. Labor forms the great bulk of the population, does it not?—A. Yes.

Q. Then the wages paid to labor becomes an important factor in the consuming power of the world's products, do they not?—A. Yes.

Q. If the wages paid to labor are $2 per day, the consuming power is greater than if the wages were $1 a day, is it not?—A. Yes.

Q. And that is irrespective of the amount of product that that labor may turn out at $2 a day?—A. I can hardly say that.

Q. If a man receives $2 a day, that is the extent of his power to consume, is it not?—A. Yes.

Q. Then his power to consume does not depend upon the amount that he has turned out in return for that $2, does it?—A. But his power to consume may depend upon the amount some other man has turned out.

Q. That is true, but does not that amount depend upon the proportion that it bears to the total cost of production of this specific article?—A. No; what it will depend on will be what proportion of all labor is artificially enhanced. That is the meat of the whole question.

THE TARIFF WITH REFERENCE TO WAGES—PERCENTAGE OF LABOR PROTECTED.[1]

When you speak of protecting American labor, I always say, what American labor do you protect? You can not protect more than 5 per cent of American labor, sometimes 6 per cent, sometimes not more than 3 per cent, but as a general thing the portion protected has varied between 5 per cent and 7 per cent. All that you can possibly expose to the injurious competition of an imported foreign product, if you sweep away every protective duty in our tariff, would not be 7 per cent in ordinary years.

Q. A man who earns $2 a day has a power of consumption amounting to $2 per day, has he not? The universal testimony before this commission is that in every branch of industry, agriculture and everything else, the rate of wages in this country is on the average double what it is in foreign countries?—A. I should think so.

Q. That being the case, the average individual of the United States has twice the consuming power of the individual in foreign countries, has he not?—A. That would follow.

Q. If anything disturbed that condition and brought the wages of the average American mechanic to the level of the wages paid abroad, it would disturb the consuming power of labor, would it not?—A. I do not know anything that would disturb the conditions in that manner. Certainly removing the protective duties, which can only expose at the outside 7 per cent of all our workers to the competition of the imported foreign product, could not bring the wages of the entire 100 per cent down. It would increase rather than diminish the consuming power of the remaining 93 per cent.

Q. Do you advance the proposition that the cost of living of 93 per cent of the laborers of this country is increased to the amount of the protective tariff on the 7

[1] See pp. 524–525, 619–620.

per cent of protected goods?—A. That is too sweeping a statement. The price is rarely increased to the full extent of the protective duties.

Q. Is it not a fact that there are certain lines of goods produced at a price less than the tariff on them?—A. Yes.

Q. Then the tariff in that case has an effect?—A. Certainly.

Q. (By Mr. CLARKE.) I would like to ask you a question about your expression concerning the small percentage of protected labor in the country. You refer, of course, to the labor employed in the industries which are supposed to be benefited by the protective tariff?—A. Allow me to make my statement a little more exact than that. It is evident that the man who is above and beyond competition may yet be benefited by the tariff if it enables him to raise his price. I do not count him in that percentage. What I tried to show was the proportion of all our workers who would be directly exposed to the competition of cheaper imported foreign products if protective duties were removed. I think you understand the distinction I would draw between a man that is benefited and the class to which I have just alluded, which may be called protected.

Q. Then I understand you to mean that any condition, whether protection or free trade, diffuses itself, and has more or less application to others in other industries than the protected industries?—A. Certainly. The indirect effect of course must depend largely on the amount of the direct; that is, if the percentage who are directly exposed is very small, those who would indirectly suffer would be correspondingly small.

Q. Granted that higher wages prevail in the protected industries, if protection should be taken away from these industries would the wages decline?—A. Of course I do not grant the premise, and I therefore have never reflected on the subject from that standpoint.

Q. Then it is not your opinion that the high wages which prevail in the protected industries are due to protection?—A. That is not my opinion.

Q. What, then, do you think is the cause why wages are higher in this country than in England, where the people are very similar to our people here?—A. One cause is found in the great opportunity for land that exists in this country—the opportunity of the men who can not be employed in the manufacturing industries to seek employment on the land. That has been for many years a prime cause of the high rate of wages in this country. It is a sufficient explanation in itself, although I think there are others. I have said that I thought the freedom of this country, the hope with which every American boy is imbued, has a great deal to do with it. There is more produced and more to divide, and labor gets a share.

Q. (By Mr. A. L. HARRIS.) You stated in the beginning that you came merely to dwell upon one feature of the tariff question, and if you do not desire to go any further I will not insist, but I would like to have a little more information.—A. Please consider me at your service.

Q. The farmers' industry flourishes, does it not?—A. His industry flourishes independently of protective duties.

Q. Does the American farmer rely upon the export market or the home market?—A. He relies upon both.

Q. Have you examined the figures, to know exactly what he exports?—A. I have not recently made an examination. I have often thought I should like, if I had the time and the means, to make a comparative table of the foreign market for all our exports, and of the market furnished by this small percentage of protected industries to which I have alluded.

Q. Do you feel that the American farmer is interested in the home market?—A. I should think he is, most decidedly; it is what he must look to. His home market is much greater than his foreign market.

Q. You will also agree that the larger the amount of his product that has to be imported, the more seriously it robs him of his home market? In other words, is or is not the home market the best market the farmer has?—A. Not the small protected part of the home market, but the whole home market is his great market.

THE TARIFF WITH REFERENCE TO WAGES—THE AMERICAN LABORER'S STANDARD OF LIVING.

Q. Does not the American mechanic live better than the foreign mechanic?—A. I am proud to believe that he does.

Q. Does he consume more, in your opinion?—A. I am inclined to think that he does. I have, however, heard testimony that makes me think there are some exceptions. The testimony of those who have traveled with a view to investigating the matter appears to be that nowhere in the civilized world were such abject conditions of labor found as in the United States in some of our protected industries.

Q. Is or is not the farmer interested in the encouragement of manufacturing in this country?—A. Yes; he is.

Q. (By Mr. Litchman.) You stated that in one of the highly protected industries of the United States the condition of labor was worse than anything that had been reported from foreign countries?—A. Yes.

Q. Can you name that industry?—A. My impression is that it was in coal mining. I did not intend to say highly protected; I meant to say protected.

Q. The anthracite? You know there is no tariff on anthracite coal?—A. I can not give you the place where this was observed, but I do think it was in the anthracite coal mines. I recollect, however, that my authority declared the condition to be as bad in the bituminous coal mines, which are protected. I am not sure where it was. I was speaking not so much of protected labor as of American labor. It occurred to me I had heard of some cases that were exceptions to the general condition of American labor, and this was one of them.

Q. In that connection, I have in my pocket a clipping that describes free labor in the southern states confined in a stockade under an agreement which is frequently worse than the old form of human slavery in the South. Would you consider that as a typical case of the condition of labor in the South, even?—A. No; I should not; but I am under the impression that the condition of these laborers to which I alluded was very general in that part of Pennsylvania.

Q. In the comparatively recent difficulty in the mining regions of Pennsylvania the evidence brought out the fact that the miners had large deposits in the savings banks of the large cities. Would that indicate a very deep degree of degradation? Savings banks are an evidence of thrift?—A. I should think so.

Q. And of fairly good conditions?—A. I only spoke of this as illustrating some testimony which led me to doubt my general belief that American labor is the best labor in the world and the happiest and the most prosperous.

Q. You would not, then, cite this as typical at all of American labor?—A. No.

TARIFF LEGISLATION IN THIS COUNTRY AND ITS RESULTS.

Q. As a student of this question, to what extent would you say that the industries of this country have suffered when we had an approach to free trade in our revenue laws?—A. I have never seen an approach to free trade in our revenue laws. I saw in 1894 a miscarriage of justice.

Q. You never have seen a bill framed tending in the direction of free trade?—A. I have seen bills framed; I have never seen them passed.

Q. Did or did not the fact that they were pending have a serious effect on the industries of the country?—A. I believe that in 1846 there was a revision of the tariff which might be said to be in the direction of free trade, and that the prosperity of the country was very great during the existence of that tariff. I believe that during the years of a high protective tariff from 1873 to 1878, inclusive, there was a very widespread industrial depression in this country. We had worse and more violent strikes then, it seems to me, than those that have taken place in more recent years. I well remember the burning of the Pittsburg station. I was then engaged in business and I saw the depression that prevailed. I saw also a depression in business beginning in the year 1893, under what is known as the McKinley tariff; I saw it continue under the Wilson tariff, I saw it continue under the Dingley tariff, and then I saw the conditions change. I can only say that observation to that extent of our tariff history confirms me in the opinion I have already expressed—that it is not a question of high-tariff duties or low-tariff duties that creates prosperity in this country, or increases or diminishes prosperity. It depends upon other factors, and not upon that. And I believe that one of the great evils of all our protective-tariff legislation has been that the community, especially the business community, has been led to suppose that if times were hard something must be done to the tariff. I should not lower the tariff to create good times or mitigate hard times. I should lower it for the general reasons that I have tried to express.

Q. Were the conditions in 1846, and from 1873 to 1878, normal or abnormal?—A. In 1846 I was not in business. I can only speak from history. There were great reasons for the wonderful prosperity of the country, entirely independent of the revision of the tariff.

Q. Did we have a war upon our hands at that time?—A. I regret to say we had a war upon our hands at that time.

Q. What effect as a rule does war have upon prices?—A. I am not informed as to what effect that war had, but I know that there were other causes that very decidedly increased the prosperity of the country. Among others is one that has been cited very frequently—the discovery of gold. That of itself would have gone quite a ways toward explaining the great prosperity of the country at that period. I repeat

my assertion that it was not so much the lowering of the tariff duties as it was other things. The lowering of the tariff duties did not produce hard times; the times were good; that fact was to some extent due to the reduction of duties, but also to other causes.

Q. Did the change in our financial conditions have anything to do with the hard times from 1873 to 1878?—A. I do not think so, unless it might be said that in 1873 we were living under an inflated currency, and therefore we were in worse condition to meet the hard times. If you remember, California at that time was on a gold basis, and it is my recollection that the hard times passed more quickly in California than they did in the rest of the country, which was on an inflated currency. I do not wish to embark upon a discussion of the currency question; but that is of influence.

Q. Were there questions outside of the tariff that had an effect?—A. Always—in every instance. That is the point I have tried to make. It is those other things that determine the prosperity of the country, so far indeed as any human agency can determine it. Bad times are probably sure to follow good times, like the period of winter. Depression is something probably inseparable from any competitive system; it is one of the disadvantages of the system.

Q. Was there not a contention that the hard times from 1873 to 1878, and following, were the result of the demonetizing of silver and questions growing out of the return to a specie basis?—A. I have heard gentlemen advance that opinion. I have, however, never met anyone who was recognized as an authority on those subjects who agreed to that argument. It has been presented by some of the most able men in the country; and yet it has failed to impress, so far as I know, a single man who is regarded as an authority on economic questions.

Q. Now, we come up to 1893, when, as I understood you to say, the depression began. Will you please state whether or not there had been an election just previous to that time?—A. There had.

Q. What was expected as the result of that election?—A. So far as may be judged by the study of the stock market, which is a fair barometer, the effect of the election of 1892 was absolutely nothing. That, allow me to say, has been gone into very carefully by experienced investigators.

Q. How long was the Wilson bill pending?—A. Through the spring and summer of 1894.

Q. Did we or did we not have prosperous times in 1892?—A. We had times that were regarded by the best observers as "shaky."

Q. Before or after the election?—A. Some excellent authorities for some years previous had been counseling great caution; and I think that some time between 1884 and 1888 the Secretary of the Treasury made a report giving warning of the danger into which we were running.

Q. Did or did not the prospect of a change in our tariff law have something to do with bringing about the conditions from 1893 to 1896?—A. There may have been some exceptional establishments that were obliged to take in sail; that was not generally the case—it was very far from being general—so far that I can not think that it had any appreciable effect on the prosperity of the country.

A DESIRABLE METHOD OF RAISING REVENUE FOR THE NATIONAL GOVERNMENT.

Q. How would you raise the revenue to meet the running expenses of the Government?—A. I would say I believe a revenue tariff to be at present necessary. It certainly is necessary as long as we have an excise to balance it; otherwise we should derive no revenue from our excise, and I believe the people of this country insist on deriving a revenue from spirits and liquors, don't they? I believe they feel that is a proper subject of taxation; and if you lay an internal tax on them you would have to lay a revenue tariff tax on them to balance; otherwise you would not derive any revenue, because all the spirits would be imported. Under these circumstances, I believe a revenue tariff to be a means on which we must rely to raise our revenue—that and the internal-revenue system which we have somewhat developed in recent years in a manner that I think the best economists would approve. Further, I suppose a large part of our revenue might well be raised by the revenue tariff with actually a great reduction of the burdens of taxation. The tariff revenue of Great Britain is much more of a burden per head than is the revenue per head that we derive from our tariff. I think that with our enormous population a revenue tariff, constructed for purposes of revenue, can be made to bear with as little weight, perhaps, as any tax, except the sound internal-revenue taxes of which I spoke.

Q. What would you say to an income tax?—A. It is out of the question, for it would need a constitutional amendment to uphold a just bill. I have wished that Congress

would lay an information tax, and I wish I had more time to go into that. I should like to see an information tax laid in order to ascertain where the ownership of the land in our various states and territories actually is. Understand, I am not an advocate of what is known as the single tax, but I do believe a tax on land values should be a part of our national income, as well as of the state and city income. It is evident that the people of the country would not consent to the imposition of a tax on land values for this reason: It would have to be laid in accordance with the provision of the Constitution that requires it should be laid according to the representation of the states. Now, I do not believe that the people of the country would at first consent to raise a part of our revenue by the imposition of duties on land values, because, they would say, "Here in our newer and less rich communities, the northwest, for example—Minnesota and the Dakotas—we have a large representation, and we must therefore pay such a large quota of that tax that it would not be fair, when some of the very rich smaller states would pay much less, while they ought to pay more." Now, if Congress would lay a small tax that would not be a burden—the burden of which could hardly be appreciably felt—which could be collected by the states, it would ascertain where the ownership of the land values is. It is evident in cases of mines that the ownership is very largely outside of the states in which they are located, but if in some way the ownership could be ascertained a state might have to provide its quota, yet in laying its tax it would collect it from the people who reside outside of the state.

I talked with the Treasury officials about this plan, and they said it would cost over $1,000,000 to get the mortgage statistics of the United States. I said I believed it was worth much more than $1,000,000 to have them, but I did not counsel the expenditure of $1,000,000. I asked if it would not be possible to lay an information tax. The then Secretary of the Treasury soon after went out of office, and with him, of course, those who were in the Bureau of Statistics, but it was a subject of conversation between us, and I can not say what the Secretary would have recommended if he had continued in office. I am inclined to think he would have regarded the laying of a small information tax on land values as a measure that could be carried through Congress, with proper explanations. Of course it would have to be explained; that is, an explanation would have to be made that this little tax was laid to ascertain whether the tax on land values would be unjust, laid in a constitutional manner. I do not know how, without an amendment to the Constitution, any other form of direct tax would go through.

Q. Did you go so far as to formulate that plan into a proposed law?—A. No; I did not. I had first to consider the political side of it; whether the leaders in Congress would give their support or opposition to the plan. Then I had to consider the statistical side of it, whether it was likely to turn out as I thought it might. I think you would be surprised to find how evenly that tax would be distributed according to the proportion of wealth in the country. I do certainly recommend it for your consideration. I have only gone into it in the most superficial manner; but it is worthy of deep study.

Q. (By Mr. A. L. Harris.) You would not undertake to raise the revenue along protective lines?—A. I distrust incidental protection, if that is what you mean, because it seems to me to open the door to the most vicious form of corrupt influence.

Q. Then, do we understand you favor the Babcock bill as far as it goes?—A. I have tried to say that I look upon it as a step in the right direction.

Q. And that it might tend to bring about conditions that you think would be more desirable in the raising of our revenue than our present system?—A. I do not think it would have much to do with the revenue. I do not know how much revenue would be lost by it; probably $5,000,000, roughly. I have not gone into the question at all from the revenue side.

(Testimony closed.)

WASHINGTON, D. C., *June 6, 1901.*

TESTIMONY OF HON. ROBERT W. TAYLER,

Member of Congress from the State of Ohio.

The commission met at 11 a. m., Vice-Chairman Phillips presiding. Hon. Robert W. Tayler, of Lisbon, Ohio, a member of Congress, was introduced, and being duly sworn, testified as follows:

PERSONAL STATEMENT OF THE WITNESS.

Q. (By Mr. CLARKE.) Will you please give your name and address?—A. Robert W. Tayler, Lisbon, Ohio.

Q. Are you a member of Congress?—A. I am.

Q. How long have you been?—A. Since the 4th of March, 1895.

Q. Have you given considerable attention to the subject of the protective tariff, especially in its relation to so-called trusts or combinations?—A. I can not say that I have given more attention to that subject than others have who are interested in the policy of a protective tariff. I may add also that while, of course, I expected to submit my observations respecting the relation of the tariff to trusts or trusts to the tariff, I had not in mind that that was the peculiar phase that I was to touch upon, but rather upon our present industrial conditions as related to the tariff; and there were one or two other phases that I had more in mind than the trust phase, which I desired to submit to the commission.

Q. Several witnesses speaking in the interest of free trade or freer trade came in response to the commission's invitation to testify especially in regard to trusts and the tariff, and they covered the full ground broadly as you have in mind to do. Therefore, if you have any knowledge concerning the points which they presented, will you proceed on those points in your own way? Have you a prepared paper?—A. No; I have not.

THE THEORY OF PROTECTION AND RESULTS OF THE PROTECTIVE POLICY.

A. (Continuing.) Having in mind the purpose for which I understood I was called here, I desired to say three things to the commission, because they come within the scope of the inquiry, as I understood it. First, that the history of the last few years and our present conditions, it seems to me, demand that there be not the slightest relaxation of the tariff principle as now expressed in the body of our laws, and that whatever view one may take of the trusts as an industrial movement, their relation to the tariff is only incidental and reaches not at all to the great principle of protection under which we have prospered, and, as we claim, without which we could not have reached anything like the degree of prosperity which we enjoy.

Q. (By Representative LIVINGSTON.) In order that we may understand you, tell the commission what you mean by the principle now embodied in our laws.—A. We have embodied in our law what is known as the Dingley tariff, based upon the idea that our American civilization is upon a higher plane than that of any other country, and that in order to maintain that plane of living, a higher reward in dollars for the time employed is necessary for those who make up that civilization; and that wherever the labor cost in an article is greater in this country than it is in a competing country making the same article, it is necessary that some kind of equalization be brought about. According to the American principle of protection, that is done by the imposition of a tariff duty, and more nearly than any other law that we have had, the Dingley law gives expression to the necessity for equalization; and the fact of equalization is brought about by it.

Q. Then you base that simply and solely upon the fact that you want to distribute the benefits to the laborer who produces?—A. Chiefly. There is no theory that can be thoroughly exemplified and produce solely the result that is desired. There are no doubt others that participate in the rewards of that kind of legislation, but it is labor that is chiefly interested and chiefly protected by the protective tariff. Whenever the time comes when it is not necessary to maintain, by means of a protective tariff, the mode of living which the body of our people to-day enjoy, then that protective tariff ought to go, unless there is some incidental or temporary reason why it should be preserved.

Q. Does your expression "labor" include simply the labor engaged in the manufacture of the article which is affected, or do you include the farmer and the miner

and all labor? Do you use it in the broad sense?—A. It covers every single laborer whose handiwork is in the finished product, whether he is making the pick that digs the coal, digging the coal, transporting the coal, or engaged in making the final product. They are all directly interested. It is the familiar and sound argument of the protectionist that the farmer must largely depend upon wages and the rewards of labor for the return from what he produces.

THE BENEFITS OF PROTECTION TO THE FARMER.

Q. Will you explain right there how the farmer comes in as a beneficiary? Take the iron and steel that the farmer uses more than anything else. There is a heavy tariff or tax levied on that. How is the farmer benefited by the heavy protective tariff on steel?—A. In the first place there is not a very large tariff on steel at present. There is not very much protection levied except upon certain articles like tin plate, of comparatively newer production. I would say at a guess that we are paying out annually in this country, in wages to laborers engaged in the manufacture of tin plate through the various processes, not less than $20,000,000 to $25,000,000. We have actually increased the consuming power of the American people at home by at least that much. My figures are, of course, round figures, for I have not the data in my mind now of the exact amount that is paid. But the effect of that enormously increased consumption by American workingmen is sufficient, even in that extreme case, to recoup the farmer for what supposedly increased price he may be compelled to pay for tin plate; and the argument, as I remarked a moment ago, for the general policy of protection has been so often made and in so many different phases, that I doubt if I could furnish this commission very much information upon that particular phase of the subject.

Q. (By Mr. Clarke.) Speaking of the price of tin plate, has it not been very largely reduced as a result of the establishment of that industry here as compared with the average price for 10 years prior to the enactment of the tariff of 1890?—A. Oh, there is no doubt of that. The highest price, I believe, to which tin plate ever went was after the passage of the McKinley law and before the time it went into operation. Prior to that, I think, the average price for 10 years was about $4.25 or $4.50 a box. Since the McKinley law went into effect, since we became large producers of tin plate, almost supplying the American market, I believe that the price has spasmodically and for very short times gone above that figure, but even that figure, I believe, is recognized to be very high even now, when steel billets and sheet steel and bars are up; that is to say, when the iron industry generally is at the zenith of its activity and prosperity. The price of tin plate since the McKinley law went into effect has been as low as $2.65, and the average price that we paid the foreigner prior to the McKinley bill would now be thought exorbitant.

Q. You cited tin plate as an illustration of the benefits which the farmer and other consumers derive from the protective policy. Is it in your opinion applicable to iron and steel industries generally?—A. Oh, undoubtedly. I live in the country where iron and steel have developed and made our prosperity, and you can not get the farmers in that great section of the country, which is also a magnificent farming country, to consent for a moment to the proposition that we ought not to have had and ought not now to have, where necessary, a duty on products of iron and steel.

Q. (By Representative Livingston.) Would not you limit your statement? That is a pretty broad statement, to assert that the farmers of Ohio are universally in favor of a protective duty on iron and steel. Do you mean that?—A. Of course, I do not mean that here and there there is not somebody that is not in touch with our modern civilization; but take the vast body of the farmers and they are undoubtedly in favor of a moderate protective tariff. If the issue of protection in Ohio was completely dissociated from all others, just as in the South if it was dissociated from the race question and so on, I think you would find that three-fourths or four-fifths of all the people would be in favor of a protective tariff—that is, in favor of the protective tariff principle as it has been expressed heretofore in law.

Q. I would like to have you make this discrimination, if you do not mind doing so—there is a difference between the tax and protection?—A. Undoubtedly.

Q. You were explaining protection?—A. Exactly.

Q. For protection's sake?—A. Exactly. Every single duty levied not for protection, and therefore upon an article not produced nor producible in this country, is a tax—every cent of it.

Q. Then if it is levied on an article produced in this country, but not in sufficient amount to stimulate its production or to increase consumption, it is still a tax, is it not?—A. It may be; yes. Wherever it does not express practically the protective idea in effecting the preservation and improvement of the civilization of the common people, then it is a tax.

THE EVILS OF TRUSTS[1]—THEIR TENDENCY TOWARD STATE SOCIALISM.

Now, reverting to the matter of the relation of the trusts to the tariff, I am one of those who have not been able to bring myself to the view that the trusts are a good thing. I have been on record in that respect for some years. I do not know what the remedy is for the evil—if it is an evil, as I assume it to be—or how we are going to get at it. I do not think that any set of men can be trusted with the power possessed by the combinations as we now find them. I think that no normal man under normal conditions can ever be trusted with great and, in a human sense, omnipotent power, and therefore when you reach that position you have the menace of everything conceivable. I do not doubt at all that as a physical fact of society, as well as an evolutionary movement in the minds of men, the trust leads to socialism, points inevitably to socialism, and will reach governmental socialism. This is because, first, of the condition of the public mind growing out of it, and, secondly, because whenever the people discern that instead of a number of interests owning or controlling any product or property or production or method of transportation, those elements are unified into one group under one mind and one control, there will come the temptation and the opportunity to the public to say, "Now, we discover that these enterprises are operated by only a few for the benefit of the few; it is a perfectly simple physical act for us to lay hands on them, and so we will now acquire and operate them for the benefit of all." The difficulties of government acquiring ownership and the difficulties of bringing the public mind up to the proposition of government ownership arise largely out of the vast contrariety of interest and ownership. Whenever it becomes a simple physical proposition to lay hands on that thing and say, "We will take that under the right of eminent domain and administer it for the benefit of all," then you are likely to have that result speedily following, and I can not think that such a result is desirable.

Q. Now do you know where there is a syndicate, combine, or trust—call it what you please—that has such absolute control over the raw material and the finished product that it would come within your statement?—A. Oh, no. Take the iron and steel business: I have no idea that anybody will ever have absolute control of that, because iron ore is an almost universally distributed mineral, and so is coal. There has not yet been discovered anything that equals the Messaba ore for Bessemer steel, but that is owned by many concerns; nor is there anything that is equivalent to the Connellsville coal for coke, but that is owned by several concerns. It is entirely true, I suppose, that the life of these fields, as measured by the volume of ore and actually in sight, is not more than 50 years, say, but we have faced problems of that kind so often and answered them so speedily in the operation of individual enterprise that I have no fear of any exhaustion of iron ore or coal.

Q. (By Mr. PHILLIPS.) About what per cent of control has the United States Steel Corporation?—A. I can not say exactly. There are several strong independent concerns. Some of the independent companies are the Colorado Fuel and Iron Company, the Tennessee Coal and Iron Company, the Republic Iron and Steel Company, the Cambria Iron Company, the Bethlehem Company, the Pennsylvania Steel Company, Jones & Laughlin, and Sparrows Point.

Q. (By Mr. FARQUHAR.) The Lackawanna Company?—A. I was naming the very large ones, most of which have their own sources of supply, especially of iron ore, about which there is more talk than anything else, and these are plants which are able and will be able, unless the United States Steel Corporation unhappily absorbs them, to do everything that is necessary in the production of the finished article.

EFFECT OF A REPEAL OF TARIFF DUTIES UPON TRUSTS AND INDEPENDENT PRODUCERS.

We are about to build in my district a very large independent tin-plate plant. Now, if the duty were taken off tin plate, that concern could not possibly live; it would die now before it was even started. But whenever the duty is taken off, it could not survive unless there is some revolution in the method of producing tin plate, as there has been in the production of steel rails, that shall reduce the labor cost to a point where we are able to take care of it. I could imagine that the United States Steel Corporation, constituted as it is—and that may be one of the advantages of a combination of that sort—could go on and manufacture tin plate even with the duty off. Of course, the first thing it would do would be to reduce wages; that is where the blow would fall first and hardest—upon labor. It might be that in the condition of things which would prevail in this country, they would not reduce labor to the point where the independent plant would have to reduce it. But with a concern that was making its profits along several lines of production, it might be a safe business proposition for them to lose money on tin plate in order that they should command the market; and the inevitable result of the taking of the duty off

[1] See p. 634.

of tin plate, for instance, would be that the United States Steel Corporation would be the only concern in this country that would make a pound of tin plate.

Q. (By Representative LIVINGSTON.) Now, there is a tin-plate trust, is there not?—A. The United States Steel Corporation has absorbed the American Tin Plate Company, which manufactured a large proportion of the tin plate produced in this country. I am speaking of the remedy that is to be applied, whether a reduction or annihilation of the tariff is the remedy to apply to the trust. If the reduction of the tariff or the taking off of the tariff did not reduce the rewards of labor and did not prevent the establishment of independent tin-plate plants, then I would say that that would be a most excellent method of dealing with the trust question. And if anybody can show to me that labor will not be reduced by so doing, then I say take off the tariff.

THE RELATION OF WAGES TO THE PROTECTIVE TARIFF.

Q. The weight of your assertion seems to rest upon the proposition that labor must not be handicapped or embarrassed. Is it not true that the labor of this country is in a complete combine, and is it not true that they have their means of self-defense in their own hands, and that they are now from time to time absolutely dictating wages to manufacturers and to the railroad corporations?—A. There is undoubtedly a very powerful combination of labor which has resulted in the maintenance of a fairly high level of wages, and I doubt if those wages could be maintained at anything like their present rate if it were not for the combination of labor.

Q. (By Mr. LITCHMAN.) Is it not your proposition, that if by reason of the repeal of the tariff, the industry did not exist in this country, no matter how strong the labor organization was, it could not maintain wages here when there was no employment?—A. Of course it could not. Labor has never yet been able to maintain wages in hard times. Labor is able to extract more from capital when capital is busy, and it can not extract much when capital is not busy. It is a question of power, of course, on either side.

Q. (By Representative LIVINGSTON.) These labor organizations are intelligent, their chiefs and boards of directors are just as intelligent as any that can be found among the manufacturers?—A. Undoubtedly.

Q. Will they not through that combination protect themselves in any event, and get their share of whatever the finished product sells for? Will they not take care of themselves?—A. Very likely they will; but then wages becomes an arbitrary question. It does not matter much whether the laborers get their share of the price of the finished article if that share is not enough for them to live on and leave them a surplus. If the price of the finished article is low, then that price gauges and governs the wage that is the reward for their labor. If the price is high, then it is as you say; they have the power to get a larger portion of the price for which the product sells. That they get all they are entitled to is a proposition which the labor leader will absolutely deny, and I do not suppose that they do get it all.

Q. I did not mean to convey that idea, of course, that they were given all they were entitled to.—A. Well, of course, if they do not get all they are entitled to, they have not as much power as the man on the other side has.

Q. You think not?—A. No; undoubtedly they have not as much power as the other side, because in the last analysis capital can be idle and labor can not. I suppose that is all there is that really differentiates between the power of the one and the power of the other. Labor has just as much power to stop the wheels as capital has; but when they are both stopped, capital can live, and labor can not.

Q. (By Mr. CLARKE.) Can labor get a share of the profit unless there is a profit?—A. I never heard that it could. Of course labor sometimes gets wages when there is no profit to the manufacturer.

What I was going to say in conclusion upon that phase is this, that no man who comprehends and believes in the principle of a protective tariff ought to assert that there is any distinction between the application of that tariff to an industrial combination and to an individual manufacturer in the same industry. That is to say, that principle of protection is always to be applied for the benefit of labor; and where labor needs it to maintain the reward of labor, it does not matter who employs that labor, whether it is some one that extracts too much from the people or somebody that does not extract enough. If you apply that simple test, then you have the philosophy of protection.

WHAT CONSTITUTES A PROPER RECIPROCITY POLICY.

The second point which I had in mind to make was that our system of reciprocity ought to be developed in accordance with this principle. It should not be the reciprocity that takes or threatens to take his work from a single American working-

man. That reciprocity should be applied to those things which we do not produce, making it a lever in our hands to develop that narrow line of American products which we can sell abroad. But I think those persons mistake the view of protectionists who assert that we are to buy from a given country something which we ourselves can make, in order that we may sell to that country something that we make. That is not reciprocity according to our view of it. Reciprocity, according to our view, means this: There are many millions of dollars' worth of things that we must buy from other people, and that kind of trade can be used to make those people buy what we produce.

Q. (By Mr. FARQUHAR.) Suppose, by way of reciprocity, you take 25 per cent off of French wines and silks; where would that leave California and the wine-producing parts of this country, and New Jersey and Pennsylvania with their manufactures of silk?—A. Of course I speak only as one having general knowledge of it. It would destroy them, I suppose.

Q. Entirely?—A. Yes; or lower wages to an undesirable point.

Q. Do you think that the general principle of reciprocity is a fair system in the fiscal arrangements of a country?—A. My notion offhand is that it is if it is fairly reciprocal; that it is fair, for instance, for us to say to France, "We will buy from you things that we must buy somewhere if you will buy from us," and to carry that out so that France would have more of our trade than England, if England did not reciprocally buy from us. If there was a sliding tariff—a maximum and a minimum, within which the President would have the right to move—to be applied for the purpose of developing our export trade as a reward for the things which we could not produce that we bought from other countries, it would be philosophic and it would be right.

Q. But your discussion is entirely on the theory that you are talking about nations. Trade is between individuals, not nations.—A. I understand, of course.

Q. Twenty or 30 silk owners or manufacturers in this country do not constitute the United States doing business with France at all. Your reciprocity treaty has nothing to do with that. We are dealing with individuals in Great Britain, as we are in France, and they are dealing with us. There is no use of making an international matter of reciprocity.—A. The individual, of course, must recognize the duty that is put upon the products of a country with which he trades. I do not see how we can have any reciprocity respecting silk except as a matter of sale by us. We are making silk.

Q. Suppose we have free sugar producing countries, and reciprocity is proposed by one of them, and possibly two of them are left out. Do you think it is fair for the general industries of this country to admit by reciprocal treaties the sugar of that country only?—A. I think not. Of course all trade is selfish, and this question of selfishness has to be answered whenever a practical question of legislation or treaty is before us.

Q. What becomes of your argument of conserving the American wage if you intend to favor any reciprocal treaties that have been presented to the Senate for ratification—treaties that impair the American wage and take away American capital?—A. Well, I have not had much sympathy with the reciprocal treaties which I have observed recently negotiated. I notice Congress has not had, either.

Q. (By Mr. LITCHMAN.) Do not most of the treaties with the leading nations of the earth contain what is called the "favored-nation clause?"—A. Undoubtedly.

Q. Then, can you establish a system of reciprocity such as you suggest without running against that favored-nation clause?—A. Well, I want to be understood as speaking academically on the subject of reciprocity. It is a practical question to be solved in the future, but I think it is really philosophical and proper. The favored-nation clause, however, is a thing that a short time is sufficient to get rid of.

Q. (By Representative LIVINGSTON.) When the Government steps in and controls the raw material that goes into the product, and then protects the finished product, is not the nation controlling that article?—A. Undoubtedly, in that sense.

Q. Is not the United States doing the trading with France instead of the individual?—A. My answer to that was that no man could deal by way of import or export with any other country without reference to the tariff laws of the country. That is what I meant by my answer.

Q. If you are seeking the individual's trade in England, would it not depend very largely on the advantages that the Government gives you, and the disadvantages the Englishman had on that side, whether you got that trade?—A. Certainly.

Q. (By Mr. LITCHMAN.) Does it not take this phase, that the legislation of the government should be exercised in such a way that it should encourage individual trade?—A. Precisely.

Q. And if you can not have a tariff by individuals, you must have it by government?—A. Exactly; as I understand it, the economic or the philosophic justification

of the protective tariff is, that the government does a thing which the individual can not possibly do for himself; otherwise it is mere paternalism. But the individual can not compete with the civilization abroad. The tariff protects his opportunity.

THE EVILS OF INDISCRIMINATE IMMIGRATION.

Q. (By Mr. PHILLIPS.) Have you covered the three points which you suggested?—A. The third point was that I think our industrial conditions have been very adversely affected by the practically indiscriminate immigration which has come into this country in the last 30 years, and that in many instances the wage rate has been thereby demoralized; it is a matter worthy of the attention of this Industrial Commission.

Q. Have you any suggestion to make in regard to remedial legislation along the line of immigration?—A. I think that all practical results that are needed at present are to be derived from the passage of such a bill as that known as the Lodge bill. A slight educational qualification will practically accomplish all that the friends of the proposition for the restriction of immigration think is necessary.

THE QUESTION OF A PRACTICAL REMEDY FOR THE EVILS OF TRUSTS.

Q. (By Representative LIVINGSTON.) Can you not give the commission some suggestion as to the control or regulation of these combines or trusts that have that immense power that you refer to? Have you not some idea on that subject?—A. Well, I wish that I could. I would be very glad to do so, because while there are certain advantages always derivable from the combination of human effort, I think that notwithstanding those advantages, the effect of such combinations is altogether injurious; at any rate, the evils overbalance the benefits. I wish that I had some practical method to suggest. We have anti-trust laws in the various states. I do not know why they are not enforced, unless it is thought that they are not effective as they are now framed. I have heard of the suggestion of publicity. I think that might be a scratch on the surface, but I do not think it would go to the heart of the evil to know how much money these concerns make, which would be all that publicity would amount to. It may be that we are merely in a stage of evolution that is to lead to the governmental socialism to which I referred a while ago. I must say that I think this commission has been and is giving more careful attention to the problem of the trusts than any body of men that we have ever had, for the reason that the commission came into life just at the moment when the trust projected itself before the public eye. You have obtained such a vast amount of information from all sources that you ought to be able to formulate a plan much more satisfactorily than anybody else.

Q. (By Mr. CLARKE.) May not combinations be an evolution in the business world without necessarily leading to socialism?—A. That may be so. I have only indicated that as one of the possible results. The fundamental objection that I have to them, in which I seem to differ from many others, is that I never knew any combination or individual who had power, that exercised that power wisely or in any other way than selfishly.

RELATION OF LARGE COMBINATIONS TO THE PUBLIC—THE STANDARD OIL COMPANY.

Q. (By Mr. KENNEDY.) What do you say with respect to the argument of the champions of the combinations, that they effect great economies, and that whether or not they cheapen articles of manufacture to individuals, there is great opportunity for them to do so?—A. I have no doubt there is a great opportunity to reduce the cost of the article, but I have no idea that the public is going to get very much benefit from it. Take the case of the United States Steel Corporation, which has fifteen hundred millions of securities, common and preferred stock and bonds. Now, those properties did not cost one-third of that, and they were not bought at a bargain; that is to say, they were built up on legitimate business bases, and not by reason of some special information of the location of some plentiful deposit, or anything else. They were all built up in the usual course of proceeding. Now, the people who hold these securities are going to demand a return upon them, and if they receive any full return even for what they have paid for those securities in the market, they are going to extract something from the public. I know that it was said as to the Standard Oil Company that it had reduced the cost. Undoubtedly it did reduce the cost; but to say that is begging the question, for the cost would have been reduced still more if competitive enterprise had continued in the business. I do not think it can be said that there has been any great service rendered to the public when the market value of the securities of the Standard Oil Company is approximately eight hundred millions, based solely upon the earning power of that which cost approximately one-tenth of that.

Q. (By Mr. Phillips.) How much have their dividends been in the meantime?—A. I have paid no attention to that. I know that you can judge of that by the enormous present market value of the stock, due to the fact that while the cost of the article has been reduced to the public they have had practically absolute domination of the market, and the public has probably paid $2 where it would have paid $1 under the competitive system.

Q. (By Mr. Litchman.) Do you know of any oil companies outside of the Standard Oil Company?—A. Not now.

Q. You think there are none?—A. I am not familiar with all the concerns in the oil business. The largest competitor we knew of in our section of the country was absorbed by it just a few weeks ago, so I am informed.

Q. I wanted to ask if you knew whether they were getting the same price for their oil as the Standard Oil Company?—A. Very likely they were.

Q. (By Mr. Kennedy.) I want to know whether you believe that it is economically proper that there should be three or four different commissions between the producer of coal, for example, and the consumer, and whether you believe that this combination which is going on in the industrial world will be the means of eliminating these middlemen between the producer of an article and the consumer?—A. Undoubtedly. Nothing could be more ideal than combination under control and direction, and not governed by the selfish demands of men, because there you bring the thing produced to the consumer with the least possible expense.

Q. (By Mr. Litchman.) Do you think that an absolute monopoly can be obtained except in the case of a natural monopoly or a monopoly created by a patent?—A. I think that practically we can get that sort of a control. I think the railroads are rapidly getting to that.

Q. You have already suggested that the remedy to that may come in government control?—A. Precisely.

Q. Now, then, could you reach that condition of absolute control except in the case of something that was of itself a natural monopoly, so called, or a monopoly created by a patent?—A. Theoretically, I suppose not, but practically we have an illustration of that sort of thing in some lines of business. I do not want to touch upon a field that I have no right to enter, but the popular understanding is that the Standard Oil Company fixes the price of oil in this country.

Q. Does the Standard Oil Company own the oil fields of Texas, so far as you know?—A. Well, the newspaper reports are that they have taken the output, have made a contract with Mr. Guffey's people.

Q. Will they not buy the output of any producer?—A. I suppose they are the best purchasers, and they might buy the output of any. They have the same power to fix the price of what they buy as to fix the price of what they sell.

Q. (By Mr. Phillips.) Well, do they or do they not fix the price of oil, regardless of the exchanges?—A. I suppose so. That is the popular impression.

THE RELATION OF TRUSTS AND COMBINATIONS TO THE TARIFF.

Q. (By Mr. Kennedy.) Have you any opinion to express with regard to the proposed remedy for the evils of trusts in the so-called Babcock bill, which was introduced in the last Congress, and which, I understand, will be reintroduced at the coming session of Congress?—A. I assumed that I had already answered that question by the general trend of my remarks. Certainly, wherever the element of labor does not enter to an extent to require that it be protected, in order that those who labor should have the opportunity to maintain their mode of living, then there is no need for the tariff, and the Babcock bill would be right; but I oppose that kind of legislation because it absolutely destroys the possibility of independent plants making the things that are protected by the present tariff law, and simply puts weapons into the hands, and strength into the body, of the combination itself.

Q. Your answer, then, is that the Babcock bill is in the interest particularly of the United States Steel Corporation?—A. I say that the result of that sort of thing would be to advantage that corporation more than anything else. It would absolutely destroy all independent effort along those lines, and it would strike a blow at the labor employed by the United States Steel Corporation.

Q. (By Mr. Litchman.) Have you any knowledge of the enterprise in Nova Scotia known as the Dominion Coal Company?—A. I have heard something of it.

Q. What would be the effect of this reduction of the tariff on that industry, do you think?—A. I think that the Dominion Company could sell over here all they could make.

Q. Do you think it would be wise to precipitate a tariff discussion on the United States at the present time?—A. I ought to have said something at the beginning in answer to that question. I am sure that we are getting along very well now, and we

are getting along largely, as we claim, because of our tariff legislation, and it would be exceedingly unfortunate from a business point of view to introduce any element of unrest into the business conditions of the country.

Q. (By Mr. Clarke.) You have expressed your opposition to so-called trusts and combinations. Do you know of any trust or combination in this country whose existence depends upon the protective tariff, or which in your opinion is a legitimate outgrowth of protection?—A. There is part, for instance, of the United States Steel Corporation, the tin-plate industry, in which, as the industry could not have been born without the protective tariff, it is safe to say that there would not have been any trust but for the protective tariff. The weeds may grow more rankly because there is a sun, and would die if there was no sun, but in no other aspect does the tariff bear any relation to the trust. In the pottery business, in china and white ware, there could be no industry at all but for the protective tariff. There is no combination or trust. There might be, because whether there will be a trust in pottery depends upon exactly the same forces that control trusts in other lines of business. But, as it is, the industry has gone on for many years, and there is, so far as I know, no sign of any combination; and if there should be, it would not at all change the relation of the tariff to the labor employed in those potteries that would make up that ultimate trust. It is plain to be seen that you can not apply any different rule to the labor employed by a trust than to the labor employed by those who are not in a trust.

Q. Do you know of any trusts or combinations in Great Britain?—A. There are undoubtedly many trusts in Great Britain, just as there would be trusts here without a tariff.

Q. What kind of a tariff has Great Britain—a protective tariff or a free-trade tariff?—A. It is, of course, popularly understood to be a free-trade country.

Q. Then, if trusts exist in a free-trade country, it does not follow from the fact that trusts are in a protective country that they are the outgrowth of protection?—A. It certainly does not.

REMEDIES FOR THE EVILS OF TRUSTS—STATE AND NATIONAL CONTROL.

Q. (By Mr. Farquhar.) You spoke of the danger of these large capitalizations of industry. As a lawyer, do you believe that the State can create a corporation with any capitalization?—A. Oh, undoubtedly.

Q. You think that the State of New Jersey can create a corporation with a capital of one thousand million just as readily as one with a capital of one million?—A. The State is sovereign and can do what it pleases.

Q. And the State under that sovereignty could also create a corporation with a capital of two thousand million—*ad libitum*?—A. Undoubtedly.

Q. Now, what protection have the other 44 States in the Union from a State like New Jersey, that can by merger make what you would call a monster in industry and a dangerous feature that will lead up to state socialism? Is there any law to limit these capitalizations?—A. Undoubtedly. The States themselves only permit the corporations of other States to do business within them under such rules as they see fit to lay down, and every State has it within its power to deal drastically with that phase. Of course, as a practical question, we have this: That here is a great combination of capital that has $50,000,000 or $100,000,000 invested in labor-employing enterprises in a single State, and you may talk as glibly as you please in a rhetorical way about what the State is going to do with that gigantic combination that is thus going to lay its hands on the throat of the people, but it is another thing when you say to that corporation, "You shall not do business in this State," and thus wipe out of existence the enterprises in which the hundred million dollars are invested and wherein many thousand persons are employed. It becomes a question of practical importance which we are slow to approach and answer in a way which will prevent that combination from doing business.

Q. What are you going to do with a corporation incorporated under the laws of New Jersey with a billion dollars capital which enters into interstate commerce? What authority have the other States to shut that out from interstate commerce?—A. There is not anything that can prevent the shipment of the products between the States by the States. I thought you meant the right of the corporation to do business within the State. The State is, of course, powerless in the matter of interstate commerce.

Q. In the regulation, then, of your so-called trusts or combines. how do you intend to get that regulation? Through national legislation, if you can not do it through State control?—A. An approach to that was made at the session of Congress a year ago—at the first session of the Fifty-sixth Congress. Whether it is workable or not I can not say, but I have no doubt that our later light would suggest very many practical and wise improvements upon that, which would be effective. That plan provided for

a method of making it unlawful to transport goods that were made by illegal combinations, and provided a certain kind of marking of those goods, and for their confiscation. That did not pass the Senate, and of course is not a law, but it shows the first step in the development of the Congressional mind as acting from the people's view of it.

Q. (By Mr. PHILLIPS.) That was an amendment to the Sherman Act, was it not?—A. No; that was an original act; it was an original act called the Littlefield Act.

Q. But it did embody the Sherman Act and add to it, did it not?—A. Oh, it may have been an amendment to the Sherman interstate-commerce act.

Q. Was that passed unanimously by the House?—A. There was a very large majority.

OVERCAPITALIZATION AND ITS RESULTS.

Q. (By Mr. FARQUHAR.) You spoke of the seeming overcapitalization of the United States Steel Corporation, saying that there was about one-third, probably, of tangible assets. Their stock, however, sells at par, does it not?—A. Their preferred sells at about par and their common at about 50.

Q. Do you know of any stock sold in any reasonably large quantity on any stock exchange in the whole world which is not sold at the earning power of the stock?—A. That is just exactly the point I make. Those stocks are sold upon the basis of their supposed earning power, and their earning power, in the public mind, in the mind of the investor, is fixed by the fact that the concern is nearly a monopoly, and therefore can control the market and fix prices. That is what it is that makes the market price so largely in excess of the actual value of the property.

Q. And yet you would say that it is the custom of all stock exchanges of the world to buy and sell stocks on their earning power, their dividend power?—A. Practically, that is so.

Q. Do you think there is any way of making a law, by Congress or otherwise, to save investors from being shorn by organizations of money?—A. No; I am not sympathizing with anybody that is trying to make money by manipulating stocks.

(Testimony closed.)

WASHINGTON, D. C., *June 6, 1901.*

TESTIMONY OF GEORGE GUNTON,

President of Institute of Social Economics.

The commission met at 11 a. m., Vice-Chairman Phillips presiding. At 12.20 p. m. George Gunton, of New York City, President of the Institute of Social Economics, was introduced as a witness, and, being duly sworn, testified as follows:

PERSONAL STATEMENT OF THE WITNESS.

Q. (By Mr. CLARKE.) Please give your name and address.—A. My name is George Gunton; address, 41 Union square, New York City.

Q. What is your occupation?—A. President of the Institute of Social Economics.

Q. How long has that institute been established?—A. Since 1890. I am also editor of Gunton's Magazine, and author of the following books: Wealth and Progress, 1887 (Appleton); Principles of Social Economics, 1891 (Putnam); Trusts and the Public, 1899 (Appleton); Outlines of Social Economics, 1900 (Appleton); Outlines of Political Science, 1901 (Appleton).

Q. Has the institute, and have you personally, given special consideration to the subject of the tariff, especially very recently, in its relation to trusts and combinations?—A. I have given very close consideration to those two subjects, and have made some investigations regarding them which cover a great many years.

MANNER IN WHICH WITNESS PROPOSED TO DISCUSS THE TARIFF.

Q. Will you please proceed in your own way to express your views on the general subject of the tariff, and the specific subject of the tariff in relation to trusts and combinations?—A. The question of the tariff is, to my mind, a strictly economic one. Like all economic questions, it has to do with the welfare of the nation. With your permission, I shall devote myself to the questions that have been covered specifically

by some witnesses you have had before you on the other side. It occurred to me that it would be perhaps better to have the same questions dealt with from the different points of view rather than to have another set of questions, or perhaps another treatment along different lines, that would not be quite comparable. You have had recently Mr. Edward Atkinson[1] and Mr. Holt.[2] Mr. Atkinson dealt largely with theory, and Mr. Holt with facts.

OPPOSITE CONCEPTIONS OF THE TERM "FREEDOM."

I think that at the outset it is important to state from the protectionist point of view what protection is as a philosophic principle. Mr. Atkinson, and for that matter nearly all who treat the subject from the free trade point of view, proceed upon the hypothesis that all that is needed is freedom, and by freedom they mean, "Stand off and let each fellow fight it out." Now, that is a misconception of freedom. There are really two kinds of freedom; there is the freedom of the savage and the freedom of civilization. The freedom of the savage is to have no protection except what his own muscles and his own alertness in running can give him. He protects nobody, and nobody protects him; he has no friends, and he is friendly to nobody. That is the freedom of non-interference, and the people who have that kind of freedom have the least liberty of any people in the world. They are the poorest; they are the most easily terrified; they can travel the least distance in safety, and get the least out of nature and the universe of anybody on the earth. The freedom of civilization is the freedom that not only goes with, but necessarily implies, protection. It is the freedom that comes from society, doing for and with others, and it always depends on society giving the individual the protection, and the individual giving society the benefit of his activities. Therefore to speak of freedom in the abstract, and say, "All you need is to withdraw barriers or withdraw restrictions," is both misleading and incorrect. The mere withdrawal of restrictions does not necessarily give freedom. On the contrary, there is no freedom that is worth having and that anybody values that does not come with and does not remain by virtue of societary protection.

THE RELATION OF FREEDOM TO NATIONAL DEVELOPMENT.

In reference to national development this subject of freedom is a very important consideration. The theory of absolute freedom is represented by non-restriction, which is logically anarchy. It means no government, hands off, hands off, hands off until you get to the vanishing point. The logic of Mr. Atkinson's thinking, if he had the courage to carry it out, as he sometimes does, is anarchy. I heard him say once at a dinner of economists in New York, as illustrating this point, that the only way to have good money was to have absolutely free banking, let everybody start a bank and issue money just as he pleased, and the best money would win the day. He evidently had not learned of Gresham's law, which has demonstrated that the worst money wins the day. This question of freedom is a very elusive one. Mr. Bryan in his two campaigns has based the most taking of all his pleas—and they are very taking—on the idea of freedom, and his great idea is the freedom to coin money. Now, the benefit to society does not depend always on the absolute right of the individual to do just what he pleases. It depends on the opportunities for him to do that which is best for society as a whole.

With reference to national development, which is an important point in the consideration of the tariff and of large corporations, the theory of our friends on the other side is that a nation should be left free by its government and by all associated action to follow the lines of industry that each individual can do best. That is to say, let alone entirely, every man will find his best place and do that which is best for society and for the development of the natural resources of the nation. That is a very familiar proposition. I regard that as the very essence of fallacy; that it is not the function of statesmanship to develop the natural resources of the nation, wood, coal, iron, etc., but rather to develop the civilization of its people. The question is whether the civilization of the people should depend upon digging coal and cutting lumber, or whether the digging of coal and the cutting of lumber should be adjusted to the channels of the development of the people. To my mind it is a question between what we call natural selection and scientific selection. Natural selection is that of the barbarian and the savage, which says if digging coal is the best thing you can do, dig coal, although other conditions could easily be made by which you might do something very much better. On the other hand, scientific selection would ask: What type of industries tends most to develop the civilization of a nation?

[1] See pp. 517–551. [2] See pp. 552–582.

NATIONAL DEVELOPMENT IS LARGELY DEPENDENT UPON THE DIVERSIFICATION OF INDUSTRIES.

I think there is nothing clearer in history than this fact, namely, that the type and character of the civilization of every nation, regardless of religion or form of government, is mainly molded by the character of the occupations of the people. People go about their business to get a living, and they take on whatever they touch in that pursuit; and if their living takes them up against pine trees and corncobs, then they get the influence of pine trees and corncobs. If their industry takes them into a specialized and highly socialized society, then they get the influence of cultivation which comes from a highly diversified society. The question, then, is purely one of industries; and I submit that history, ancient and modern, in any of the spheres of the globe will bear out this statement, that no nation makes any comparative progress whose industries are substantially uniform and monotonous. In other words, there is not a case in the history of the human race of a nation rising in intelligence, culture, power, wealth, or civilization, without having a considerable portion of diversified artistic, manufacturing, and mechanical industries. Purely crude and extractive industries are monotonizing and non-socializing, and they always result, comparatively speaking, in a state of backwardness in wages, social culture, intelligence, and wealth. If you take the wages of the different groups of the world—and when I speak of wages in this connection I do not mean that I believe in the theory that there is an "American rate" of wages. There is not. They vary all the way from 75 cents to $10 a day. But there is a rate of wages that is substantially uniform in groups of industries and localities. Now, if you take the case of countries that are exclusively raw-material producing, like Russia and India and South America, you will find that the wages are lowest in the rural parts, and that they rise as you near the cities and centers of civilization. That is true of localities in countries, and it is also true of countries as compared with each other. It is true in this country as between the country and the small town, the small city and the large city. It is true in this country as a whole as compared with any agricultural country. It is true of England as compared with any other country in Europe. It is true the world over, and it means that the initial point of national development is the diversification of industries.

Moreover, with these degrees of diversification comes development in every phase of human freedom. You can almost determine the religion, the form of government, and the general condition of countries by the wage mercury. If you take a nation where the best wage group is below 15 or 20 cents a day, that nation is pagan in its religion, and despotic in its political institutions, and practically stupid in its social life. If the wages are above 20 cents, you will probably find Christianity in some form. If the wages are below 40 cents, the country will be Catholic. I do not say that with any disrespect at all. It will be a religion that is largely under authority—that is what I mean—and that country's politics will also be comparatively despotic and its social freedom practically nil. If the wages amount to nearly a dollar a day, you have reached a country where there is some evidence of freedom of opinion in religion; you will find constitutional government either in its beginnings or in a considerable development. And if the rate is above one dollar and one dollar and fifty cents a day, you will find religious freedom, and, either actually or in the making, democracy in government.

Now, it would seem that progress follows the line of diversification of industries, the development of complex occupations. To my mind, therefore, the first principle of statesmanship is to consider not what the price of the particular articles may be, but how the direction of the industry can be made to lead toward diversification. Of course, there is no such thing as getting something for nothing. A nation does not get civilization for nothing. It always costs something, and we would not appreciate it if it did not. Therefore, in giving direction to the forces that lead to diversification, and thereby ultimately bring about national prosperity, the national policy comes in.

THE DISTINCTION BETWEEN PROTECTION AND PATERNALISM.

Now, what shall the nation do? The question is how to promote progress, not only without taking away freedom, but rather so as to encourage the growth of freedom at the same time. Here we come to the question of paternalism. Our friends on the other side are rather prone—indeed I think they rather like—to mix terms a little. Perhaps they believe a little in the confusion of tongues, and they do like to call protection, paternalism. Yet protection properly applied and understood is not paternalism. Paternalism is doing for the individual, always doing for him.

Opening a soup kitchen is paternalism, and we have beeen forced to have a little of that sometimes. Giving something, supplying the individual, is paternal. Protection is protecting the opportunities for the individual to do for himself. If you tell me that the tariff is paternal, then I want you to tell me what it gives other than opportunity. If it gives only opportunities, then it is protective. Now, that is rather an important distinction between the two, and one which is necessary to a clear understanding of the term protection. Hence, if by protection we mean protection of opportunity, then the whole community should hold the protectionist strictly to the principle of protecting opportunity only, and not let any public policy pass over into the paternal. In reference specifically to the tariff, what a nation should do is to protect the opportunities of its people. Government came into existence for just that purpose.

THE NATION MUST PROTECT ITS ECONOMIC LIFE AGAINST LOWER FORMS.

What should be the principle of this particular protection? To my mind there is only one thing that is worth protecting by government—the superior element against the inferior. The inferior is not entitled to protection, and does not need it. It is a peculiar fact in all progress that as we advance we become less capable of protecting ourselves. As we rise morally, physically, and socially, we take on new powers and lose some old ones. I suspect that there is not a gentleman in this room who would feel competent to protect himself against Sitting Bull or his descendants, or against John L. Sullivan or any of his people. Why? Because their power is in the biceps; you have lost that power. Your ancestors had that power, but you have taken on another form; you have risen to a point where you have higher duties. When the individual lost the power to protect himself because he had something else better to do, he had to rely for protection against the lower forms upon the very development that brought that about—society in its collective form, which through its government substituted the policeman's club for the muscles of the individual.

Now, in relation to industries that same thing is true. If a nation has risen to a point where by virtue of its social conditions its people must have a higher standard of living than some other nations, that involves a greater expensiveness to each individual, and if there is any test of civilization it is in the dearness of the man. A cheap man never gave high civilization in the world, never gave a strong nation, nor did anything else that was worth remembering. When, through the social conditions the average laborer and citizen becomes expensive, he is a factor in the economic life of the nation. There is the item of cost. Now, if that item of cost handicaps a producer in one country as against another producer in another country, it is for the government, or the society, or the civilization to say whether the opportunity to produce and continue the industry on the basis of that cost shall be maintained.

COMPETITION SHOULD BE WAGED ON THE PLANE OF THE HIGHER CIVILIZATION.

If the manufacturer is handicapped by the greater labor cost, there is an element of superiority. The dear man is the element of superiority. It is the duty of the nation to protect that superiority against the inferiority in any other nation. That can not be done by the Government's fixing the prices of things nor by fixing the wages. It can not be done by any paternal process that you can introduce. It can only be done by the community through its government saying, "We will fix the plane upon which competition shall take place in this market—not in any other; but we will fix the plane upon which it shall take place in this market, and that plane is the plane of the labor cost of the American laborer." There is the principle of protection. Your mere freedom is savagery at that point; it is not freedom at all; taking the Government away is not freedom, but anarchy. Such a policy says to the people who have acquired some freedom, who have advanced a certain stage above the rest, "Fight it out with those fellows below." But if you fight it out with the fellows below, you have to fight it out on their plane, and if you fight it out on their plane they will beat you, because you have lost the power to fight it out on their plane. What we say, and what scientific protection says, is that they shall fight it out on our plane and not on theirs. We say to the man on the lower plane: "You must fight it out on a higher plane; if you can not reason you can not act. The intelligent and cultivated man shall not be forced to drop to your plane to settle it. You must rise to his plane or you can not communicate with him."

The principle that would apply to all nations everywhere is that the competition between nations should be on the basis of the higher civilization. If, for ethical, economic, or other reasons, anyone wants the advantage of the market of this country, that person must have it only by rising to our plane of doing business, and must not

expose us to the disadvantage of dropping to his plane. It is a principle that is not less universal than the human race, that he who succeeds establishes the methods of his own success. If a baseball pitcher wins by a new curve, the other pitchers have to learn that curve because that becomes the established method of success. Now, if the competition between this country and any other becomes such that we are defeated by a barbarous element, the element that we have passed by, namely, cheap labor—if we are beaten by that method, that is the method that will be adopted because it succeeds. When you are beaten, you look to see how the other fellow beats you. You ask, how did he do it? You find that he had cheap labor; then that is what you must have. But if we insist that that element shall be eliminated from the proposition, we then say that with that element out, others are at liberty to compete. Now, if another nation wins, it must win by scientific methods; it must win by superior machinery, superior organization, superior skill. Whoever wins by superior skill establishes the methods of his success, and that means establishing better methods. And that is why the success of new machinery knocks old machinery into old iron, because the method which succeeds is that which all competitors are compelled to adopt.

DEFINITION OF PROTECTION.

Protection, in its strictly scientific aspect, consists in preventing, by such non-paternal methods as can within governmental authority be devised, any element of a lower civilization from being the means of industrial success against the elements of a higher civilization.

Whereupon, at 1 o'clock p. m., the commission took a recess until 2 o'clock.

The commission met at 2.15 p. m., after recess, Vice-Chairman Phillips presiding. Prof. George Gunton, again on the stand and examination resumed as follows:

EXTENT TO WHICH GOVERNMENT IS RESPONSIBLE FOR THE RESULTS OF ITS PROTECTIVE POLICY.

Q. (By Representative Livingston.) If the Government furnishes the opportunity, is the Government not indirectly responsible for whatever grows out of it?—A. It seems not. If you give your boy an education, you are not responsible if he does not make good use of it; but you are responsible for his ignorance if you do not give him an education.

Q. Does the Government simply protect the opportunity and not the thing itself?—A. Yes; that is right; it protects the opportunity for a man to do.

Q. Taking your simile, if I give my boy an education and he becomes learned and wise and practically useful, I certainly deserve some credit for that?—A. Why, you have done your duty, and I do not know as one is entitled to any credit for doing his duty.

Q. Well, I will put it in another way. If I take your son, to whom I am under no parental or civil obligation at all, and give him an education and he becomes wise and good, in that case I ought to be credited to that extent?—A. Yes.

Q. Suppose, then, that the Government takes my enterprise or industry, and protects my finished product against all foreign markets to the extent that I can become wealthy and independent, a Carnegie or a J. Pierpont Morgan. Is not the Government responsible for the aggregation of that wealth in my hands?—A. The Government is responsible for the opportunity to develop the wealth. If by any subsequent conditions or influences that opportunity has been perverted, the Government is not responsible for that. That needs further action on somebody's part to prevent the evil. There is probably no opportunity for good that is not capable of perversion for evil.

Q. If the Government does that for 1 man or 1,000, and fails to do it for 100 or 5,000, is not that unqualified paternalism?—A. No; that would not be paternalism. That would be unfair. They are not the same. Paternalism is paternalism. There is lots of unfairness that has no relation to paternalism. The object of the Government should be not to make particular individuals rich, but to develop conditions that will create an environment that will develop the community. If the principle that I laid down before is followed, the Government ought not to and would not protect a cotton factory for the sake of making some monopolist in the South rich out of the cotton industry, but its policy would be to develop that industry because of its great social consequence, and if, in the development of the welfare of the whole community, a particular individual proves to be a natural leader and gets rich out of it, then he has been benefited contemporaneously with a development which has been mutually beneficial to the community.

THE PROTECTIVE FUNCTION OF GOVERNMENT SHOULD INCLUDE THE LABORER.

Q. If the Government protects my cotton manufacture against all foreign competition, to the extent that I make a lot of money out of it that I could not have made otherwise, is not the Government also bound in honor to see that the labor that enters into that finished product has a fair share of the profit?—A. Yes; if the Government protects the opportunity of a manufacturer to develop a successful cotton factory, it is bound to pass laws to shorten the hours of labor of his operatives, and see to it that children under 12 or 14 years of age do not work, and that they have educational opportunities. It is bound to see that the laborers' homes are surrounded by sanitary conditions, and that all the other forces of opportunity are extended to the laborers at the same time that the possibility of making profits is extended to the employer.

Q. The manufacturer who receives from the Government the benefits of a protective tariff is for that reason bound to give the laborer a fair show?—A. Yes. Only remember this: that the Government, when it deals with the laborer, can not deal with him paternally without injuring him any more than it can deal with the manufacturer paternally without injuring him. When the Government protects the manufacturer, when it establishes in this domain certain bases of competition, then if capital shall prevail we hope the laborer will get a little out of it. But from my proposition the capitalist is not the less selfish because he has had protection. He has the same impulses and he is looking for his profits in exactly the same way as if he were an angel of the Manchester school. It does not make any difference, his wings are just about the same length. Therefore, good statesmanship will insist that the Government apply the same kind of protection to labor. It can not apply it in the same act, of course. The capitalist will get the benefit of his profit making, say what you will, in the first stage. Then the question is, What can the Government do for the laborer without being paternal? It can surround him with a lot of conditions, one of which is that just as fast as these big profit-making conditions are developed, the manufacturers must shorten their hours of labor and give the laborer a chance for social development, and let him work 10 or 9½ instead of 12 hours, and receive the same amount of pay. Let the laborer have an opportunity of social touch so that he can sharpen his intellect and get the benefit of social life, and let him have compulsory education and especial facilities for his children. You can not leave it to the manufacturer. He is not an angel; he is looking after profits; and if he can see profit in working children for 12 and 14 hours a day he will do so. That has been done in England and in New England, and is being done in the South now. Therefore, the protective function of the Government should include the laborer. This stuff that the capitalist puts forth that if he is protected, that covers the whole thing, is not true. From the capitalist's point of view, if he is protected so that he is prosperous and the laborer is not actually a tramp, that is all that is necessary. That is not the case. It is not a case of just one umbrella for the whole thing. If we will keep away from paternalism there are different ways in which the state should apply itself to the difference in conditions and classes and opportunities. You can not say, by law, that the capitalist shall raise wages. You can not do so because the wage question is an economic question. I do not wish to reflect upon Congress in the least, but I do not believe a Congress ever met that would know how to adjust wages economically. That must be done by the forces that touch the work from which the wages are paid.

Q. (By Mr. LITCHMAN.) Do I understand your position to be this: That it is properly the function of the government as far as possible to create opportunities, and then leave individual effort to take advantage of them?—A. Entirely so; and it should also create the opportunity for the laborer. He should have the opportunity to become intelligent, so that he may look after his own interests. Shortening of the hours of labor, sanitary conditions for his home, keeping the little children going to school instead of to the shop, and that sort of thing, are among the conditions which furnish opportunities to the laborer.

Q. Would you advocate less hours of labor as a portion of the increment, if I may say so, that comes to labor?—A. That is exactly a proportion of the protection.

Q. The question is this, Must not education be coincident with a lessening of the hours of labor?—A. Exactly; and to my mind education is another term for opportunity.

WITNESS CONSIDERS THAT THE MACHINISTS' STRIKE IS JUSTIFIED BY PRESENT CONDITIONS.

Q. (By Mr. FARQUHAR.) Would you care to answer a concrete question now? At the present time this country is agitated by the machinists' strike, a movement that started for 8 hours' work, was compromised to 9½, and the strike is now for 9; and

the demand of the machinists of the country is for 10 hours' pay for 9 hours' work. Do you think that fairness, and the opportunity that you suggest, and everything else is on the side of the workingmen, and that as regards efficiency of labor they can make the 9 hours equal to 10 hours?—A. If ever there was a time when the laborers through their organizations have a right to demand some concessions as a part of the prosperity and development of industry, it is now. The machinists, to my mind, are perfectly justified in asking for a reduction in the hours of labor. They are perfectly justified by all the conditions that exist in saying that the reduction of hours shall not be accompanied by a reduction of pay. There is no such thing as 10 hours' pay or 9 hours' pay. It is a day's wages, what they are now getting. They have been working 10 hours; they want the hours reduced to 9; but they do not want their wages reduced, and there is not any reason why they should have them reduced.

The iron and metal industries to-day are profitable, and everybody is glad to see it. The great corporations that have been developing in the iron industry are prosperous—that is the capital side of it. The integration of the machinists and the different industries in the metal workers is the legitimate and proper part of the other side of it. The corporations ought to recognize that, and the laborers ought to recognize the corporations. This is the time for the laborers to say to the capitalists, "Gentlemen, please let a little of your profits pass over; we want it passed over in the form of a shorter day." If the laborers should ask for that when trade was dull, then the capitalists would say, and properly, that they could not afford it. Then everybody would say, "Why do not the laborers ask when the capitalists are making something?" Well, the laborers are asking now when the capitalists are making something. To my mind their demand is perfectly legitimate. There is only one criticism I have to make on the machinists and that is this: The laborers made an agreement for arbitration, and they have not lived up to that agreement. I think that laborers ought to organize, just the same as the capitalists do. They ought to have national and local organizations. But they ought to learn, and they must learn, to live up to their agreements, even if they make a bad bargain. They should have intelligent, well-paid representatives who can present their case as well or better than the capitalists; but when they do enter into an arrangement that they will agree to arbitrate they should arbitrate, whether they win or lose. That is my only criticism on them.

Q. (By Mr. PHILLIPS.) Did the machinists decline in this case?—A. Yes. The difficulty was that there were certain features that I think the employers are not right about, namely, what is called premium work; that is, paying a little extra for working longer. The laborers have learned that that ultimately means laying the basis for cutting pay, and this was the difficulty there. The laborers found that in the constitutions of some of the organizations there was a provision that had not been provided for in the arrangement with the employers, and the union stood by their constitution, although it conflicted with the agreement with the employers. They ought to have known their constitution, and if they had omitted to meet that condition it was their fault, and therefore they ought to have stood by their arrangement to arbitrate what their employers would not concede.

THE HIGHEST WAGES DO NOT INVARIABLY REPRESENT THE LOWEST LABOR COST OF PRODUCT.

Witness (continuing the general discussion). One of the points Mr. Atkinson made was regarding the efficiency of high wages. He laid down the proposition[1] that the highest wages always represent the lowest labor cost of production per unit of product, and he reasons therefrom that since we pay the highest wages we have necessarily the lowest labor cost per unit of product. Now, that is like the freedom statement. It is true that high wages tend to create a low unit cost of production, but it is not true that high wages are always simultaneously accompanied by low cost of production. If we want to get at the real truth of that, we have to consider these two cases: If we take a community where the methods of production and the high wages are both developed together, the high wages will always in any considerable length of time—say a decade or so—prove to give a lower cost of production as compared with the previous period, because the high wages, which are the basis of the large consumption and growing intelligence, are for the most part the real cause of the superior methods which give the great economy in the cost of production. But take a case, for instance, where the best machinery is transplanted into a community where it was not created by evolution at all. You get the low

[1] See p. 518.

wages and the best machinery, and the low cost of production as the result of the low wages.

I will give you an illustration of what I mean. Take Spartanburg, S. C., which is perhaps as good an illustration as there is. There the Montgomery company has a very large and beautiful mill. I do not know anything in the East as handsome and as well appointed. Their spinning frames and looms were made in Hopedale, Mass., by the Drapers. The result of the evolution of the New England development of cotton manufacture and machinery manufacture is transported, as it were, into South Carolina. Now, I saw there, one woman—I think 2—each of whom was minding 24 looms. To show the significance of that, I may say that in Massachusetts, with one or two exceptions, the men mind 8 looms at most, the women mostly 6, and a few 8. In South Carolina each of those 2 women that I saw was minding 24. The average for the entire shop was 16. In South Carolina they are weaving 45 yards of print cloth, 64 by 64, for 6.75 cents. That is the price they paid when I was there, and I do not know that there has been any rise since. In Massachusetts with the last rise they pay 19.8 cents a cut for 45 yards. In other words, in Massachusetts they pay 19.8 cents for weaving exactly what they weave in Spartanburg, S. C., for 6.75 cents. Now, there is a case of putting the cheap labor with the best machine. Comparing these two cases, the dear labor does not produce the cheapest or the least cost per unit of product. The dearest labor is in Massachusetts, and its cost per unit of product is very much greater than that of the weaver in South Carolina. I take South Carolina only as typical. If she had not received those looms until through her own wage conditions she had developed and introduced them, her wages would probably be a third or a half higher than they are. And then that aphorism of Mr. Atkinson's might have been true. But when we take machinery at the highest point of development and put it into the hands of people at nearly the lowest, his statement is not true; it is not true that the highest paid labor gives the lowest unit of cost per unit of product.

Q. (By Mr. Phillips.) Those South Carolina laborers are white?—A. Oh, yes; there is not any colored labor in any of those mills.

Q. (By Mr. Litchman.) The labor is native labor that has been instructed in the use of those machines? It is not transported or foreign labor?—A. Oh, no; there is not a foreigner there. Nor was there an eastern person there except the overseers. The operatives were all native Southerners, who came from the farms and mountains, and their labor is efficient. That woman I spoke of minded those looms all right, but they told me that she had come from the mountains only about 18 months before. She was a bright woman, nothing stupid about her, and she had been accustomed to live where the whole family did not have more than $2 or $3 a month besides what they took off their farm. But when that mill came and they were enabled to put three or four of the larger children into the factory and get $10 a week, something they had never heard of before, the improvement was immense. The progress in that region has been great, and it is going to work a revolution there. But it is not true that the low-paid labor there is dearer than the high-paid labor in the unit of product.

Mr. Atkinson, you know, is a man who never has any doubts. Some years ago, in 1896 I think it was, when we were going to have the whole tariff system abolished, he wrote his book, Taxation and Work. He published it first in a series of articles in the New York Times, and even then—it was in 1894, I think, or 1892—he made this statement based upon the theory that I have just referred to, namely, that the highest paid labor always gives the cheapest labor per unit of product. He says, "Nine-tenths or more of all the articles consumed in this country are made at less cost for labor than in any other country, whatever the rates of wages may be."[1] Well, there was not more than 1 per cent of truth in that statement. That is a wholesale statement, born of a theory, sweepingly made, just the same sort of statement as the claim that freedom, which is mere non-restriction, does everything. When he made that statement, instead of nine-tenths there probably was not one-tenth of the products consumed in this country of which that statement was true. If that were true, then there would not need to be a particle of protection on the nine-tenths of the products that were made in this country and they could not be undersold. Just after he wrote that—it seems to me he wrote it in 1892—they tried an experiment along his line, and as soon as it was thought they were going to make it we were in bankruptcy. Nobody believed for a moment after the first of 1893 that that statement was true. Mr. Atkinson does not give anything to verify that statement, and I submit that, at least so far as your investigation is concerned, mere opinions ought not to have an over amount of weight given to them.

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[1] See Taxation and Work, p. 252.

STATEMENT OF THE ECONOMIC LAW WHICH GOVERNS PRICES.

Another point that was made and made very extensively in the testimony given before you, is regarding prices as they are affected by the tariff. It is commonly said by the free traders—and I do not think either side is entirely faultless on this point—that if you tax an article the tax is added to the price; and then, on the other side, our protectionist friends will sometimes say that the tariff is not added to the price. One side is pretty nearly as sweeping as the other in those statements, and neither statement is entirely true. Whether the tax is added to the price of an imported product is determined by purely economic law. It is not a matter that the Government can determine, and in order to make a clear statement on that point one has to be somewhat familiar both with the operation of tariff taxes and also with the economic law regarding prices. Now, the fact regarding prices, briefly stated, is about like this, that in any competing group of products of the same kind, the prices in the open market will be very near to the cost of production of those products in the group which are produced at the greatest disadvantage. To illustrate what I mean, take the case of cotton manufactures. If there are 20 manufacturers competing in the New York market on print goods, our friends in the South generally, who are using the best machinery and have probably the cheapest labor, are delivering their goods at New York in competition with the mills in Connecticut, Rhode Island, Massachusetts, and New York. Now, in the New York market there is not one price for the South Carolina manufacturer, and another for the Rhode Island manufacturer, and another for the Connecticut manufacturer, but there is one price, and that is the price of all the print cloths. The forces that operate there are these: The men who are producing print cloths the cheapest at the present time are our friends in the South. Those manufacturers are not going to bear down the price. They are going to have as big a profit as they can get. That is where they are right, and they will sell their product at the best quotations there are. It is the man who is at the greatest disadvantage—who has the poorest factory, the greatest cost per unit of product—who practically fixes the price. When we have a down move in trade and all the product can not be sold, then the price will go down. Our friends in the South can cut off half a cent and have a good profit left, but this other fellow can not cut off anything and have a profit left, and he will disappear. But so long as he stays he is holding the price up to his cost, and that is what is holding the price up to where it is, and when the manufacturer producing at a disadvantage is cut out the ones that will remain will be our Southern friends, and that means that the price on the open market is practically fixed at or very near the cost of production of the dearest ones who compete in those goods.

THE TARIFF AND PRICES—FACTORS WHICH DETERMINE WHO PAYS THE TAX.

Now, upon that same principle, the price is fixed in the international market. In the international market the dearest product will be the American product, and the cheapest the foreign one. If we put a tax on the foreign product, it will depend entirely where that tax is put and how big it is, as to whether it will be added to the price that is put on the American product. It would be added to the price of the latter if you put it on the dearest portion, the portion that determines. But if you put it on the cheapest portion that would not be true. Supposing the English product to be a cent a yard lower than the American, and you put on half a cent a yard, that would not affect the price at all, because it would not bring the English up to the other, and the American would still fix the price, and therefore the English would get half a cent less; they would pay the whole duty.

THE TARIFF AND PRICES—THE DUTY ON WOOL.

In levying a tax it depends entirely on where you put it. I will take wool as an illustration. Under the McKinley tariff the duty on unwashed wool was 11 cents a pound, which means twice as much on washed wool and three times as much on scoured wool. Therefore on unwashed wool it was 11 cents, and on washed 22 cents, and on scoured 33 cents. Now then, during the period from 1881 to 1891 and also afterwards, the duty on washed wool was, say, 20 cents a pound. The actual price of wool during that period averaged an increase of only 2.4 cents. Professor Taussig, even, agrees to that. Now, why was that? The protection was to take care of the American wool, of course, and we will suppose that costs 20 cents a pound. The Australian wool was 14 cents. (These figures I am giving now are of course arbitrary.) There you have a difference of 6 cents; you put on 10 cents duty. What will the effect be? The effect will be to help raise the foreign price from 14 to 24 cents, and that will raise the American price from 20 to 24. The first 6

cents was not added to the price at all, but must be paid by the other people before it could affect the domestic price; and when the even price was reached so that the foreign and native were both 20 cents, then all that went above that was added to the price, and native wool went up to 24 cents. Fourteen cents had gone on the foreign wool, 4 cents on the price here. Hence it is not true that all the duty is added to the price of this market; it is added to the price of the one that it is put on, and when it is put on the foreign product it is added to the price of that, and in this case 6 cents out of the 10 would be paid by the foreigners before they could get in at all.

This theory about adding the tariff to the price is believed by a great many protectionists, and sometimes I am impressed with the idea that it is believed by them conveniently. For instance, if you should tell the wool manufacturers that the duty on the manufactured wools is all added to the price, they would dispute you. They would say to you what I have just said. But if you talk to them about raw wool, they will say that the duty is all added. When the wool manufacturers want protection, they ask for 40 or 60 per cent ad valorem duty on manufactured goods. Then they say that they also want 40 cents a pound specific duty for compensation; that is because there is 10 cents duty on the raw wool, 20 on the washed wool, 30 on scoured wool, and 40 on manufactured. It takes 4 pounds of unwashed wool to make 1 pound of manufactured cloth, so they ask for a specific duty of 40 cents. That is granted on the theory that the duty on the raw material is added to the price. When the Wilson bill came they had to face another proposition. Mr. Wilson said, "We are going to reduce the duty on manufactured articles from 60 to 40 per cent, and we are going to abolish the duty for compensation," and the manufacturers said that was cutting to the bone. But he said to them, "You do not care about that compensatory duty; you do not get anything out of that. You told us when we were discussing the McKinley bill that the whole duty on raw material was added cost, and so we have put wool on the free list, and therefore we will take off the compensation." And there is where the bad reasoning came home and hurt the manufacturers. Not all the duty nor half of it was added to the price of raw wool, and when the woolen manufacturers got compensation they got more than was really needed for compensation, but they did need it and should have had it for protection. That is one of the bad results that came from bad reasoning. The duty is only added to the price when it is laid upon the dearest portion.

Q. (By Mr. Litchman.) You cited an instance where the raw wool was selling for 14 cents, and the duty being 10 cents it raised the price of the foreign wool to 24. Now, the question might naturally be asked, if we were getting foreign wool at 14 cents before the duty was put on and we finally had to pay 24 cents for it, is not that an addition to the cost of foreign wool?—A. We never had the foreign wool at 14 cents. When it was 14 cents in London, we did not get it for 14 cents. They would make us pay very much more for wool here than they get there, as I shall show you has been the case with other things.[1] The cost of any imported article here when we are not producing it on this side is very much higher than its cost to the foreign consumer—this is true of tin and everything else.

THE TARIFF AND PRICES—EXAMPLES OF REVENUE DUTIES.

Sugar

Now, take sugar as an illustration of another kind. When we had a duty on raw sugar of 1 cent a pound, the price rose 1 cent a pound, because the great bulk of the sugar is raised abroad. In other words, the duty on sugar is a revenue duty. That is the point to that. The duty on wool is a protective duty, and where it is a protective duty the foreigner in the instances cited pays more than half of it—nearly two-thirds of it. Now, take Nova Scotia coal. Under the Wilson bill I think we took 35 cents a ton off of Nova Scotia coal. It did not affect the price of coal in the least, because the American coal was the dearest and the Nova Scotia people could get what the American producers could get. So when we took off 35 cents a ton the Nova Scotia producers had 35 cents more profit. That is all the difference there was; it did not affect the price of coal. It just reduced the revenue, because the 35 cents a ton was not a protective duty; it was only a revenue duty. It was not large enough to make the Nova Scotia coal dearer than the American coal. The same is true of Bermuda potatoes. The 15 cents duty on Bermuda potatoes does not affect the price. The price of potatoes in this country fixes the price, and the Bermuda people have to meet that price when they come in. But if you should put on a duty of 50 cents a bushel, it might raise the price of Bermuda potatoes perhaps 20 or 30 cents, and that would put up the American price. But when the duty is less than the difference between the foreign and the domestic cost, and when it is equal to the difference, it is all paid abroad; when it is more than the difference, that portion which is more than the difference is put on the American price.

[1] See tin, and steel rails, pp. 629-630, 624-625.

THE IMPORTANCE OF PROTECTION IS IN THE DIVERSIFICATION OF INDUSTRIES.

The importance, however, of this matter of price to my mind is not so great as the importance of the existence of the industry. The importance of protection is that the industry shall be here, not merely for the price, but for the diversifying of industry, the developing influence of the presence of the industry. Suppose we could buy all our tin and all our iron and all our wool and all our woolens abroad cheaper than we could buy them here—and there was a time when we could, and in a great many instances we can yet. The calamity of doing so would be not in the price, but in the transfer of the industries to another country. We might possibly have some less price, although in the long run, as I shall show pretty soon, I do not think we would.[1] But we would lose the industry. Now, if we lose the industry we lose the employment of capital, we lose the employment of labor, we lose the influence of developing cities, we lose the influence of social progress among the people and the standard of living, and, in short, we lose the effect of the civilizing influence of this differentiation upon national development. We would not have our developments in machinery—our inventions; we would not have had this great progress in all lines if we had not transferred the industries to this country. No one of those things would have come with the industry on the other side. So that in the first place it is the presence of the industry here that is of the greatest importance. Usually when that comes—not always, but usually—there is a little higher price paid; but in the long run the price is lower by the transfer of the industry here, because of the development that takes place by virtue of the expanding economic conditions.

EXTENT TO WHICH THE BENEFITS OF PROTECTION ARE DISTRIBUTED.

One of the points made by Mr. Atkinson was relative to the number of people who are benefited by protection. I think that is rather common, too. Mr. Atkinson thinks there are not more than four millions of people in this country who are employed in protected industries.[2] According to him the professional people, and all who are employed in domestic manufacture and commerce and interstate commerce, are not in direct competition with foreigners, and therefore not affected by the tariff. That story in another form is frequently presented in this guise: That it would be useful to compare the wages in protected industries and those in nonprotected. For instance, take the engineers' wages on our railroads and mechanics in the metal trades, and the bricklayers and masons and carpenters in our cities, and compare these wages in unprotected industries with the wages of the cotton and woolen and silk operatives, or the miners in Pennsylvania, or others who are working in protected industries, and the inference is that the tariff does not help the laborers at all, and is only put on to help a very small number of manufacturers. That is very much as if one should say a college education is an extravagant and partial thing, involving a very great outlay for the benefit of a very small number of people, because less than 6 per cent even of those who graduate in our high schools go through college; and yet who for a moment would think of restricting the benefits of college education to the individuals who pass through college? Why, the greatest indirect effect of a college education is in the culture and general individual and social improvement that educated people create by their very existence in a community. Now, it is very much the same in regard to the individual industry. The benefits of the tariff are not limited to those who work in the protected industries. The existence of an industry in this country—say the iron industry or the tin and iron industry—has given rise to hundreds of other industries. It has given us our railroads, it has given us our machinery, and this machinery and these factories have given us our cities, and our cities have received all this multitude of industries, and that has given us interstate commerce, all of which is the indirect effect of having transferred these diversified industries to this country.

The very fact of having the iron industries here is responsible for a hundred other industries that have no direct relation to the tariff at all. Wages are not governed by the tariff. I do not think that they are affected directly by the tariff. They are affected by the social conditions and the efforts of the laborers themselves; but the existence of the industries and the development of the diversifying social conditions are the influences which stimulate wages. For instance, take the carpenters and bricklayers. The carpenters and bricklayers are getting $5 a day. Would they ever have gotten $5 a day if we had no large cities, if we had been a rural, agricultural

[1] See pp. 620–621, 624–625, 629–630.

[2] See pp. 524–525, 596–597.

country? Not at all. They do not get that in Russia; they do not get that in England; they do not get that in the rural districts in this country. The carpenters, plumbers, masons, and the mechanics in the various metal industries, and the engineers, have gotten their high wages because of the development of these industries, and because of the social conditions under which they find themselves; and those non-protected industries are indirectly due to the protection which makes it possible for the industries to come to this country.

RESULTS OF THE POLICY OF PROTECTION IN THE IRON INDUSTRY.

Mr. Atkinson said, among other things, that the iron industry was not killed or stopped, but that it was greatly checked by virtue of the tariff.[1] If he had been called upon to prove that, I wonder just what he would have said. At the time we began to protect our iron industries, England could beat us in about everything in the line of iron and steel. Rails, for instance, England could make at $65.70 a ton when in this country they cost $120.12, a net $54.42 less per ton than we could make them. Does Mr. Atkinson or any man in his senses ask this commission to believe that any capitalists would anywhere invest their means in an industry which was at a disadvantage in competition of $55 a ton? Capitalists have lots of vices, but they are not altogether fools. It was because there was absolutely no opportunity for their manufacture that there were no rails made here, and we had to buy them abroad. When protection was applied so as to permit this market's being secured to American iron men, capital then began to invest with the assurance that foreign producers could not undersell them below a certain point. The result is that under the pressure of American competition and invention and the development of large concerns, of which the Carnegie is the most conspicuous, the price of steel rails has gone down from $120 a ton in 1867 to $28 this last week; it was even $26 two weeks ago. The foreign price, which in 1867 was $65.70 (just $55 a ton less than the American), has been declining, and it has declined all the way very much less than the American, until on May 18 the London Economist quoted steel rails in London at $29.22. while our price was only $28. The difference in the price in London and here in 1867 was $54.42. It diminished until in 1897 our price was $3.15 below the English. In 1898 it was $4.89 below the English. In 1899 it was $5.95 under the English. In 1900 it was $3.09 above the English, and on May 18, 1901, it was $1.22 below the English.

Q. (By Mr. Phillips.) What was the chief reason for that decline?—A. The chief reason is the great economy in the use of machinery in the development of this country. We have surpassed the foreigners in the application of capital and invention and ingenuity during this protective era when we had an exclusive guaranty for the American market. The American is the great market in the demand for iron and steel. Our wages also have been all the way from 30 to 60 per cent higher than the wages in the iron industry in England.

Q. (By Mr. Kennedy.) During these periods that the cost of production in this country was $4 less than in England, did any English rails come to this country?—A. Oh, no. That shows that the statements about the tariff being added to the price are neither scientific nor sensible. Now, here is the duty all along. You see the duty was $7.84, and instead of that being added to the price, we are $1.22 under their price.

Q. (By Mr. Litchman.) At what figure does the duty start?—A. The duty started at 45 per cent in 1867 to 1870, and then it was $28, and in 1885 it was $17, and in 1890 it was reduced to $13.44, and it remained at $13.44 until 1894 under the Wilson bill, and the Wilson bill reduced it to $7.84, the figure at which it now remains; the Dingley bill did not change it.

Q. (By Mr. Phillips.) Was there not a time when steel rails sold for less than the duty on them under the McKinley tariff?—A. I do not remember that specifically, but there have been cases when things sold for less than the duty. That, however, is when there are none imported, but that does not stop the price from going down.

Q. (By Mr. Farquhar.) Do you claim that the import duties laid on rails in 1867 by the American Government was the means of establishing the rail industry in this country?—A. Indeed I do. Without it we probably should not have been able to make a steel rail yet, because what is needed is the possibility for the manufacturer to sell his goods for at least what they cost him, and so long as there is a condition where he can be undersold 30 or 40 per cent, he is not going to invest his money.

Q. Was it not the force of necessity that led to that tariff?—A. Certainly; we were under the worst disadvantage. You see, at the very time that the English rails were

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[1] See p. 519.

selling in England at $65, they would not let us have them at $65, nor $65 plus the transportation, but they nearly doubled them on us simply because we had no rails. But when we began to protect them so as to make them ourselves, then they were willing even to pay the freight to get them here.

Q. Was it not a fact that the American shares of railroad stock came into the American market and were owned by Americans, and the rolling mills in this country were put up by Americans?—A. Yes.

Q. That is a matter of history?—A. Yes; that is a matter of history, in 1860 and 1870.

Q. Do you know how much this country has saved by having its own rolling mills and building its own mills?—A. There is not a man on earth that could estimate that.

Q. Suppose we had no protection of that kind, what would have been the result?—A. We probably could not have had half our railroads. We could not have developed our iron industry, and very many of our factories would not have been in existence. Our population would not have been 50,000,000, and we would have been practically an agricultural nation, sending our iron and breadstuffs and cotton to England, and buying all our manufactured products abroad.

Q. (By Mr. Clarke.) Would our freight rates have been as low as they are now?—A. Our freight rates would have been several times what they are now simply because of the lack of work for the railroads to do, because of the expense of working with a large fixed cost. The expense of working with a large fixed cost on a little traffic would have made conditions such that we could not have freight traffic any lower than they can in Germany.

Q. (By Mr. Farquhar.) Do you suppose that the reason why we have money to loan to England and Germany and some other nations is because we have been saving that money since 1864 and reinvesting it and increasing it?—A. The reason we have money to lend now is because we have developed such an immense amount of industry that our profits are more than equaling our own call for investments. During the years after the war down to 1880 or 1885, or even 1890, our need of capital was so much greater than our surplus earnings that we had to be selling stocks and bonds abroad all the time, and that is why we have so many corporations. The reason that we have so many corporations here is that we had but few rich men who were rich enough to keep up with the demands of industrial development, and we wanted a method that would take everybody's pennies and turn them into pounds and invest them. So we had to take the corporate form; and it is through that development that our surplus earnings have equaled our own call for investment, that we now have money to loan and money to invest abroad. Instead of protection having nearly stopped our iron industry, its direct result has been to protect it and give it a natural opportunity to develop.

Only yesterday I took the April, 1901, prices, English and American, on a number of iron products on which 20 years ago there was more than 50 per cent difference between English and American. Among them were steel rails, American price $28 a ton, and English price $25.57. Pig iron, American, $10; English, $13.35. Bessemer iron, American, $16.75; English, $14.35. Iron bars, American, $38; Staffordshire, $51, and Welsh, $40. Copper, per ton, American, $340; English, $337.85. Lead, $87.50 here; $61.48 there. Spelter, $80 here; $82.79 there. Tin plates, per 100 pounds, $4.20 here; $3.90 there. Petroleum, 7.6 cents here; 13.25 cents there, and so on. I have some prices here taken from yesterday's Journal of Commerce, comparing the prices yesterday with those of a year ago, and the same result shows, namely, that the prices here are very close indeed to the prices there.

THE PROSPERITY OF THE SOUTH IS DUE TO PROTECTION.

There was another point that I wished to speak of in Mr. Atkinson's remarks. He spoke of the South.[1] In trying to point out how needless protection is, and how much depends on individual grit, he said: "What other protection than that of their own rapidly developed skill and capacity have they (the South) needed?" It does seem to me as if that was almost too obvious to be cited. The South has not developed a single factory or a single manufacturing industry of its own conditions. It is getting immense prosperity to-day, but it is because the instruments of production are transplanted from New England, where the struggle under protective conditions has been taking place for 30 or more years. Perhaps a better case in point could not have been given than the South. Instead of the South having its present prosperity independent of protection, it is having it given to it ready made by the development under protection that has taken place in New England.

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[1] See p. 521.

REASONS WHY ENGLAND ADOPTED FREE TRADE—RESULTS OF THAT POLICY.[1]

Mr. Atkinson also asked this question, "How did England get her present position," and he answered, of course, "By giving freedom to her trade." I do not believe there is a single thing connected with the whole tariff discussion that is more misrepresented and perhaps misunderstood than the position of England and her attitude in abolishing protection. England, it is true, took off the duty on her food products and on her manufactured products, and her farmers have not made a particle of progress since. Mr. Atkinson said that in 1840 there was more poverty in England than was ever known before. Let me say here that in 1840 my father worked there for 11 shillings a week as an agricultural laborer. To-day I have 3 nephews, young men, who are working on identically the same farm for 10 shillings a week, 1 shilling a week less than he got in 1840. I wonder where Mr. Atkinson would get his prosperity out of that. If you have any doubt about this, I would recommend the commission to get the Labor Gazette, published by the English Government, board of trade department, and that gives the wages. There is not a spot in Christendom where wages have not increased during that time except in the agricultural districts of England.

Q. (By Mr. FARQUHAR.) Do you know what was the rental value of these farms in England in 1840?—A. I can tell you this: The man who married my sister bought a little land in 1858—I can not go back personally, you know, to 1840—and he mortgaged it, and he has since struggled to pay off the mortgage, and now the land is not worth as much as the mortgage he paid off for it. He mortgaged it for half and paid off his mortgage, and now he can not sell it for as much as his mortgage; in other words, that land has gone down 50 per cent. Land is actually going out of cultivation, not relatively to population, but actually going out of cultivation.

Q. (By Mr. PHILLIPS.) Is not that condition true in regard to lands in New Jersey, near New York, and in New York State also?—A. It is true in these eastern states in the change from certain forms of production to gardens and other forms. Wheat and those cereals have disappeared, and it is true we have changed some agriculturally from East to West; but they have changed theirs from England to nowhere. The English people do not have the use of that land, and the English agricultural laborers to-day have only a fraction of benefit in the progress of the last 61 years, other than what they have received through reduction in prices.

Q. (By Mr. CLARKE.) Is it your opinion that by the introduction of the free-trade policy in England agriculture was sacrificed to manufactures and commerce?—A. Exactly that; just that. In seeking for a foreign market, England sacrificed her agriculture and agricultural population, and positively prevented the growth of a large domestic market which she might otherwise have had. She wanted to sell manufactures and buy raw material; and in answer to the question how she had come to this, briefly it was thus: From the time of Edward III, in 1331, when that King changed the policy from sending the wool to Flanders and buying cloth to putting an import duty on cloth and manufacturing at home, bringing the Flemish weavers there, England pursued very persistently a protective policy. She protected so high that she would not even allow machinery to go out of the country. Down to 1842 there was a prohibition against the exportation of machinery, or patterns, or blue prints of machinery, and against the emigration of mechanics who could build or set up machinery. We never adopted any protection like that. But when she had reached the latter forties and was ready to take off her protection, this was her position: She had a 50 years' start of the world in machinery; she had practically a monopoly of all the steam machinery in the world, except some looms, the patterns of which we stole when we were in the art of making wooden nutmegs here, but with the exception of that little matter, England had a monopoly of the steam-driven manufacturing machinery of the world. Now, she had reached that point, and you will see the opposite conditions of that country and this, and how an opposite policy is necessary to accomplish identically the same result. England had the factories, she had the products, and she wanted the markets. Therefore nobody could compete with her, and she had no need of protection. She could undersell any hand-made products from the Continent or from this country, and therefore she had ceased to need protection and was in pursuit of markets, and the removal of the tariff helped to give them to her. Now, our position was just the reverse. England had the manufactures and she wanted a market. We had a market, but we wanted the manufactures. Would Mr. Atkinson say that when we have the market and want the manufactures we should, in order to get them, adopt exactly the same policy that England did when she had the manufactures and wanted the markets? Cer-

[1] See pp. 525–526.

tainly not, but just the reverse. She could make, but could not sell. We could buy, but we could not make. What we wanted, therefore, was not foreign markets, but our own. We wanted to develop the factories; our policy, therefore, to accomplish identically the same end that England had accomplished—namely, to become a manufacturing country—was to put on a tariff, while England's was to take it off. The two opposite policies at that point produced the same general effect in the two countries, and our policy, therefore, to follow English wisdom, was to have protection for substantially the same reason that she wanted free trade.

Q. (By Mr. Farquhar.) Would you say that it was wise on the part of England to repeal her corn laws and make her island the machine shop of the world?—A. No, no. I would say that it was wise for her to take off her duties from her manufactures, because she had no need for them. It was not wise for her to take off entirely her duty from her breadstuffs, so as to depopulate and keep in barbarism practically her whole agricultural population. She had no longer need for a tariff on her manufactures; but she made a great mistake in failing to protect the domestic agriculture of her country, and she is paying for it now in the small consumption of her 10 shilling a week, ignorant, decrepit, agricultural laborers.

THE POSITION OF DANIEL WEBSTER ON THE TARIFF QUESTION.

Mr. Atkinson uses the name of Daniel Webster as supporting free trade.[1] This is indeed taking the name of Webster in vain. It is little short of a libel upon America's great statesman. In 1820 he did make some remarks of a free-trade character, but he recanted and attributed them to his own youth and immature judgment. On this point, in 1846, he said:

"Mr. President, if it be an inconsistency to hold an opinion upon a subject at one time and in one state of circumstances, and to hold a different opinion upon the same subject at another time and in a different state of circumstances, I admit the charge. * * * I hope I know more of the Constitution of my country than I did when I was 20 years old. I hope I have contemplated its great objects more broadly. I hope I have read with deeper interest the sentiments of the great men who framed it. I hope I have studied with more care the condition of the country when the convention assembled to form it."

In all his speeches after 1824 Webster was pronouncedly for protection. See his second speech on the tariff, United State Senate, May 9, 1828; speech at National Republican Convention, Worcester, Mass., 1832: reply to Calhoun, United States Senate, February 16, 1833; speech at Buffalo, June, 1833; speech at Pittsburg, July 8, 1833; on surplus revenue, United States Senate, May 31, 1836; reduction of duty on coal, United States Senate, February 24, 1837; subtreasury speech, United States Senate, March 12, 1838; reply to Calhoun, March 22, 1838.

In his speech at Pittsburg, Pa., July 8, 1833, Webster said:

"I am in favor of protecting American manual labor; and, after the best reflection I can give the subject, and from the lights which I can derive from the experience of ourselves and others, I have come to the conclusion that such protection is just and proper, and that to leave American labor to sustain a competition with that of the overpeopled countries of Europe would lead to a state of things to which the people could never submit. This is the great reason why I am for maintaining what has been established. I see at home, I see here, I see wherever I go, that the stimulus which has excited the existing activity, is producing the existing prosperity of the country, is nothing else than the stimulus held out to labor by compensating prices. I think this effect is visible everywhere, from Penobscot to New Orleans, and manifest in the condition and circumstances of the great body of the people; for nine-tenths of the whole people belong to the laborious, industrious, and productive classes; and on these classes the stimulus acts. We perceive that the price of labor is high, and we know that the means of living are low; and these two truths speak volumes in favor of the general prosperity of the country."

In the reply to Calhoun, March 3, 1840, he said:

"The fact undoubtedly is, that under the process of protection the common price or cost of goods has become less. No one can deny that. Everybody knows that goods are both better and cheaper. A man's labor will buy more for him than it would. This is the effect of competition. If we take out of the market the products of our own labor, who does not see that prices would rise enormously? Let this be tried on any article. Take away, for instance, all American-made hats and shoes; would not the article be immediately doubled in price? Reasonable protection does

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[1] See p. 525.

not so much raise the price of labor, although it should raise it in some degree, as it multiplies the modes of its employments."

At a mass meeting in Albany, August 27, 1844, he said:

"This is the history of the country on the great question of protection. I speak of the fact, and assert it as an historical truth, proved from the journals of Congress, the messages of the Presidents, the acts of legislation, beginning with the second law ever passed and running through successive Administrations, that it was held as the undoubted right of Congress, and no more the right than the duty, by just discrimination, to protect the labor of the American people."

At Valley Forge, October 3, 1844, he said:

"There are many false prophets going to and fro in the land who declare that the tariff benefits only the manufacturer, and that it injures the farmer. This is all sheer misrepresentation.

"Every farmer must see that it is his interest to find a near purchaser for his produce, to find a ready purchaser, and a purchaser at a good price. Now, the tariff supposes that, if there be domestic manufactures carried on successfully, there will inevitably be those engaged therein who will consume a large amount of agricultural products, because they do not raise any for themselves—a new class of consumers of the farmer's commodities, an enlarged class of customers."

At Philadelphia, December 2, 1846, he said:

"My object is and has been, in everything connected with the protective policy, the true policy of the United States, to see that the labor of the country, the industry of the country, is properly provided for. I am looking not for a law such as will benefit capitalists—they can take care of themselves—but for a law that shall induce capitalists to invest their capital in such a manner as to occupy and employ American labor. Now, on this subject, I shall hand to the gentlemen of the press a series of resolutions passed in Massachusetts which entirely embody my own sentiments."

CRITICISM OF MR. HOLT'S TESTIMONY—PRICES OF STEEL RAILS.

The next witness I want to pay a little attention to is Mr. Holt.[1] Mr. Holt represents very definitely, I believe, the free-trade idea on this subject. He began by telling you that the tariff holds the hands of the American consumer while the trusts pick his pocket; that in reality the manufacturers and business men are dishonest; that our statistics are juggled with, our censuses are crooked; that the wage rates are falsified; that foreign prices of products are secretly made, and that the whole thing is a dishonest, crooked affair. Now, I submit that when you are asked to believe that there is not anything honest or straight, either in Congress or in our business, in our statistics or in our statisticians, or in our exports, and that the person making these statements has some secret inside information that he is not at liberty to give, and therefore you are not enlightened by it—I submit that that testimony ought to be taken at the value that guesswork, imputations of dishonesty, etc., are usually taken for. For instance, he tells a number of things about steel rails being exported at $21 a ton when they were selling for $35 over in England.[2] He had private information which he was not at liberty to disclose. Suppose I should tell you that I knew that a number of New York bankers were robbing the people by stealing the deposits in the banks, and that therefore you ought to abolish the banks, but my information is secret and I am not at liberty to disclose it to you; I wonder how much importance you would attach to my statement, and whether you would not call in a lunacy officer and have me taken care of. I shall therefore not take him seriously on any statements of guesswork or secrecy, but only deal with those things wherein he at least attempted to cite from public documents and statements.

After thus impugning the integrity of our whole political and industrial institutions and public officials, Mr. Holt proceeds to show how bad the tariff is and how the trusts are robbing the public through putting up the prices of commodities. Among others, he selects steel rails, tin plate, window glass, and wire nails.

First, steel rails: On the basis of his secret information and statements from the newspapers, Mr. Holt waxes exceptionally warm regarding the extortion practiced on the public in the case of steel rails. The value of these unverified statements may best be seen by study of the prices of steel rails in this country and in England during the whole tariff and trust period:

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[1] See pp. 552–582. [2] See p. 555.

Table showing American[1] and foreign prices of steel rails and amount of duty.

Year.	American.	Foreign.	Difference.	Tariff duty.
1867	$120.12	*a* $65.70	$54.42	45 per cent ad valorem.
1870	92.91	*a* 50.37	42.54	Do.
1875	59.83	*a* 44.28	15.55	$28 per ton.
1876	52.87	*b* 41.36	11.51	Do.
1880	67.50	*b* 35.28	32.22	Do.
1885	28.50	*b* 23.12	5.38	$17 per ton.
1890	31.75	*b* 24.02	7.73	$13.44 per ton.
1891	29.92	*b* 20.37	9.55	Do.
1892	30.00	*b* 19.47	10.53	Do.
1893	28.12	*b* 17.64	10.48	Do.
1894	24.00	*b* 17.64	6.36	Do.
1895	24.33	*b* 23.12	1.21	$7.84 per ton.
1896	28.00	*b* 23.12	4.88	Do.
1897	18.75	*b* 21.90	*c* 3.15	Do.
1898	17.62	*b* 22.51	*c* 4.89	Do.
1899	28.12	*b* 34.07	*c* 5.95	Do.
1900	32.29	*b* 29.20	3.09	Do.
1901 (May 22)	28.00	*b* 29.22	*c* 1.22	Do.

a H. V. Poor. *b* London Economist. *c* Foreign price higher than domestic.

It will be seen from this table that before we began to manufacture steel rails, and relied on England for our supply, it cost Americans $120.12 (in gold) a ton for steel rails, which were sold in London at $65.70. The duty was then 45 per cent, or about $29.50 a ton, showing that the price here when we bought almost entirely from England was about $25 a ton more than the English price with the duty added. After sufficient protection was afforded to warrant American capital entering the steel-rail industry, the result of which was the development of the great Carnegie concern, the cost of production steadily lowered both here and abroad; but the American price fell so much more rapidly than the foreign that by 1875 the difference in the price of steel rails at New York and London was less than the amount of the tariff. By 1885 the difference was less than half the amount of the tariff, and by 1897 steel rails began to be sold at less here than in London. In 1897 they were $3.15 a ton less; in 1898, $4.89 a ton less; and in 1899, $5.95 a ton less here than in England, although the tariff was $7.84 a ton. In the last week in April, 1901, they were $28 a ton in this country, and according to the London Economist of May 18 they were $29.22 in England. Thus, under protection, we have transferred the industry to this country, and by the development of superior machinery through large corporations, so-called "trusts," have reduced the price of steel rails since 1867 $92 a ton, while in England they have only reduced the price $36.48 a ton.

But what is worth far more to the nation than even this reduction in price is the establishment of the industry in this country and the development of numerous tributary industries which practically depend upon it. Thus, instead of the tariff helping the iron and steel manufactures to "pick the pockets" of the people, besides developing the industry it has enabled American corporations to give the people nearly three times as much reduction in price as they would have had if we had continued to buy our whole supply from England. In 1867 we had to pay English manufacturers $25 a ton as a mere monopoly tax for not having protected the industry in this country. During the first six years the American people received a reduction of $25 by eliminating this English extortion through domestic competition. Since 1873, besides giving this country the full social and industrial benefit of the industry, we have reduced the price to American consumers, through superior methods and skill, more than twice as fast under protection as England has under free trade, although our wages have been all the time from 50 to 80 per cent higher.

EFFECT OF LARGE CORPORATIONS UPON PRICES—TRANSPORTATION.

Mr. Holt seems to have opened up his wrath against two things, large corporations and the tariff. In the first place, he starts out with a general charge that the large corporations have put up prices and that the tariff is indirectly the cause of this; and that the iniquity in the large corporations is their monopoly, and that to abolish the tariff would abolish that monopoly.[2] I will try briefly to touch, as far as my time will allow, those points—first of all as to the large corporations of different kinds putting up prices. Take, for instance, our transportation. There is one of the fields, next to the steel and iron industries, of the largest aggregation of capital. In 1880 to transport a bushel of wheat from Chicago to New York by lake and

[1] Prices for 1867, 1870, 1875, and 1876, which was during our period of currency depreciation, have been reduced in this table to a gold basis, for the sake of proper comparison with English prices.
[2] See pp. 552-554.

canal cost 12.27 cents a bushel; in 1900, 4.42 cents. By lake and rail the price of transportation in 1880 was 15.7 cents; in 1900, 5.05 cents. All rail in 1880 was 19.9 cents; in 1900, 9.98 cents. The cost from New York to Liverpool in 1880 was 11.6 cents; in 1900 was 6.75 cents. Grain and flour per hundred pounds from Chicago to Liverpool direct in 1891 cost 40.75 cents; in 1900, 29.48 cents. I have here full tables of general railroad rates from 1873, which speak for themselves.

Table showing total miles of railroads and average transportation rates since 1873.

Year.	Miles of railroad.	Average rate per ton per mile.	Year.	Miles of railroad.	Average rate per ton per mile.
		Cents.			*Cents.*
1873	70,268	2.210	1887	149,257	1.034
1874	72,385	2.040	1888	156,169	.977
1875	74,096	1.810	1889	161,353	.970
1876	76,808	1.855	1890	166,698	.927
1877	79,088	1.524	1891	170,769	.929
1878	81,767	1.401	1892	175,188	.941
1879	86,584	1.201	1893	177,465	.893
1880	93,296	1.348	1894	179,393	.864
1881	103,143	1.264	1895	181,021	.839
1882	114,712	1.236	1896	182,777	.806
1883	121,455	1.224	1897	184,428	.798
1884	125,379	1.125	1898	186,396	.753
1885	128,361	1.036	1901	....	.724
1886	136,379	1.042			

Q. (By Mr. A. L. HARRIS.) I would like to ask whether that reduction came from competition or consolidation?—A. It came from both. It came from the rivalry of roads; but no amount of rivalry of roads could have enabled any railroad that existed in 1873 to carry freight at 0.72 cents per ton per mile, because if they could have done so when they were charging 2.2 cents, their dividends would have been 100 per cent, and they were not. A great many of them went into bankruptcy. The fact is that inventions in appliances, in the production of iron, in the rails, in the rolling stock, in the engines, and in all the departments of iron and steel have reduced the cost.

Q. Let me ask this question: Was there not competition at that time in all of those articles?—A. Oh, yes.

EFFECT OF LARGE CORPORATIONS UPON PRICES—STAPLE IRON PRODUCTS.

I roughly took from Bradstreet's and Dun's, the other day, a statement of some staple products on the 1st of January, 1900, and in February, 1901, to see what had been the effect of this last year, when the tremendous amount of organization and consolidation has been going on. Here is the result:

Table showing prices of staple products.

IRON AND STEEL.

	January 3, 1900.	February 27, 1901.
Foundry iron .... ton	$25.00	$16.00
Bar refined .... 100 pounds	2.20	1.45
Plate, tank steel .... do	2.25	1.55
Bessemer pig .... ton	24.90	15.25
Gray forge .... do	21.25	14.00
Bar iron .... 100 pounds	2.15	1.40
Structural beams .... do	2.25	1.50
Structural angles .... do	2.25	1.40
Wire nails .... do	3.20	2.30
Cut nails .... do	2.50	2.05
	March 1-7, 1900.	**March 20-22, 1901.**
Iron bars	$2.50	$1.90
Steel bars	2.30	1.50
Steel billets .... ton	36.00	29.00
Steel rails .... do	35.00	26.00
Coke .... 100 pounds	a 3.25	2.00

a May 30, 1900.

Table showing prices of staple products—Continued.

SUGAR AND PETROLEUM.

	March 1-7, 1900.	March 20-22, 1901.
Granulated sugar .... pound..	$0.05	$0.05
Refined petroleum .... gallon..	.10	.08

METALS.

Copper .... ton..	$16.25	$17.00
Pig iron warrants........	17.00	10.00
Tin (straits) .... 100 pounds..	32.63	25.40
Lead .... do....	4.73	4.38
Spelter (zinc) .... do....	4.59	3.90
Tin plates .... do....	5.00	4.20

RAILROAD TRANSPORTATION.

	1888.	1898.	1899.
Freight rates .... per ton mile..	$0.01	$0.0075	$0.0072

Q. (By Mr. FARQUHAR.) Have you any comment to make on that?—A. Only as showing that even during that year of most phenomenal incorporation and stock watering of the roads, all those staple products in iron and steel in which the United States Steel Corporation is most interested have gone down.

Q. (By Mr. C. J. HARRIS.) Are not those prices for 1900 phenomenally high as compared with prices for former years immediately preceding?—A. No; this is not an average for 1900, but the price on January 5. That was right in the heat of the great organizations.

Q. (By Mr. PHILLIPS.) You have not quite answered the question, which was as to whether prices were not phenomenally high in 1900 as compared with, say, 2 years previous to that?—A. In 1900 prices were rather high for steel rails. They were $32 in 1900, and they were $26 in 1901.

Q. What were they in 1898?—A. Steel rails in 1898 were $17.62. That was when they were lower than they were abroad.

Q. (By Mr. KENNEDY.) What were they 2 or 3 years back of that?—A. In 1897, $18.75; 1896, $28; 1895, $24.33; 1894, $24; 1893, $28.12; 1892, $30; 1891, $29.92; 1890, $31.75; 1885, $28.50; 1880, $67.50.

Q. (By Mr. PHILLIPS.) Did not the products of iron advance by 100 per cent from 1898 to 1900? Was there not a phenomenal rise on all lines?—A. Not 100 per cent, but they did go up a great deal. There was a tremendous jump in 1899.

Q. Did not pipe advance 100 per cent or more?—A. Yes, and tin plate did. That was the year when wages were rising twice a year and everything was going right up. That is true of tin plate and iron products at the close of 1899 and the 1st of January, 1900.

Q. (By Mr. CLARKE.) Was there a very active demand?—A. The demand was such that there were hardly any iron factories less than a year's orders ahead.

Q. Had not the prices been abnormally low shortly before then?—A. In 1898 they were down to $17 a ton, and tin was down to $3 a hundred pounds. Eighteen ninety-seven and 1898 was the bottom point. The latter part of 1899 was the high point, and it is exactly that year that is charged to the trust, and that is why I shall later speak about these phenomenal rates.

COMPARATIVE RATES OF WAGES IN 1880 AND 1890.

I have taken from the census of 1880 and 1890 64 different industries in which much machinery was used. I have taken these to find out two things. First, whether their increased product through the use of machinery enabled manufacturers to diminish the number of men they employed, and so created idleness; second, whether they had lowered their wages. You could double the number I have taken, but that seemed to be a good round number, and to tell the truth I stopped where it filled my pages. In every instance, with one exception, in these industries where large capital has been employed, the product has been increased per man through the use of machinery; but the number of laborers has also been increased and not

lessened, and the wages per laborer have risen in every instance but one. That one was the manufacture of watch cases, and I have been quite unable to understand it. I think it must be because of some change in the labor from men to children or something of that kind. However, I took them as they came, and there is another instance of the tendency and its effect upon both the increased employment and the increased wages.

Table showing comparative wages in 1880 and 1890, with amount and per cent of increase.

Industry.	Number of employees.		Yearly wages.		Amount of increase.	Per cent of increase.
	1880.	1890.	1880.	1890.		
Boot and shoe cut stock	2,885	5,503	$254	$422	$168	66.1
Boot and shoe uppers	437	1,708	389	525	136	34.9
Boots and shoes, factory product	111,152	139,333	386	476	90	23.3
Boots and shoes, rubber	4,662	9,264	315	428	113	35.8
Boxes, cigar	2,365	5,537	316	385	69	21.8
Boxes, fancy and paper	9,678	19,954	245	344	99	40.4
Boxes, wooden packing	7,722	13,922	358	465	107	29.8
Brass castings and brass finishings	6,237	11,903	437	581	144	32.9
Brassware	1,142	7,518	360	539	179	49.7
Cigar molds	76	142	421	474	53	12.5
Clay and pottery products	10,221	20,296	352	499	147	41.7
Clothing, men's	160,813	243,857	285	456	171	60
Clothing, women's, factory product	25,192	42,008	264	447	183	69.3
Cordage and twine	5,435	12,799	286	354	68	23.7
Cotton goods	185,472	221,585	245	313	68	27.7
Dentists' materials	400	1,214	485	714	229	47.2
Electrical apparatus and supplies	1,271	9,485	537	565	28	5.2
Envelopes	1,204	2,501	285	423	138	48.4
Foundry and machine shop products	145,351	247,754	453	598	145	32
Furniture, including cabinetmaking, repairing, and upholstering	52,087	78,667	417	547	130	31.1
Gas and lamp fixtures	3,069	5,530	478	649	171	35.7
Glass cutting, staining, and ornamenting	1,586	3,794	445	658	213	47.8
Gloves and mittens	7,697	8,669	215	358	143	66.5
Gold and silver reducing and refining, not from the ore	304	966	587	798	211	35.9
Hats and caps, not including wool hats	17,240	27,193	384	518	134	34.8
House furnishing goods, not elsewhere specified	592	3,667	366	485	119	32.5
Instruments, professional and scientific	1,099	2,371	535	677	142	26.5
Iron and steel nails and spikes, cut and wrought, including wire nails	2,910	17,116	431	456	25	5.8
Iron and steel pipe, wrought	5,210	12,064	343	484	141	41.1
Ironwork, architectural and ornamental	1,934	18,672	436	640	204	46.7
Jewelry and instrument cases	138	1,038	369	566	197	53.3
Jute and jute goods	525	1,212	270	323	53	19.6
Leather goods	1,036	3,074	443	476	33	7.4
Leather, patent and enameled	22	2,087	581	648	67	11.5
Lithographing and engraving	4,322	10,590	533	674	131	24.5
Lock and gunsmithing	887	2,560	415	586	171	41.2
Mattresses and spring beds	2,394	7,337	362	498	136	37.5
Millinery and lace goods	6,555	11,827	253	461	208	82.2
Musical instruments, pianos, and materials	6,575	13,057	709	715	6	.8
Oil, cotton-seed, and oil cake	3,319	6,301	265	302	37	13.9
Oil, lubricating	413	1,072	503	817	314	62.4
Plumbing and gas fitting	9,684	42,513	492	676	184	37.4
Printing and publishing	58,478	165,227	522	635	113	21.6
Printing materials	191	866	517	561	44	8.5
Pulp, wood	1,209	2,830	367	434	67	18.2
Rubber and elastic goods	6,268	9,802	366	460	94	25.6
Shirts	25,687	32,750	210	326	116	55.2
Show cases	692	1,500	475	584	109	22.9
Silk and silk goods	31,337	50,913	291	386	95	32.6
Silversmithing	131	314	585	807	222	37.9
Silverware	1,029	2,306	656	701	45	6.8
Sporting goods	1,401	2,199	293	401	108	36.8
Stationery goods, not elsewhere specified	3,117	4,790	372	473	101	27.1
Steam fittings and heating apparatus	2,474	11,779	527	644	117	22.2
Stereotyping and electrotyping	642	1,475	486	724	38	7.8
Tools, not elsewhere specified	3,151	7,095	472	584	112	23.7
Trunks and valises	4,534	6,785	394	517	123	31.2
Typefounding	1,986	2,172	482	645	163	33.8
Umbrellas and canes	3,608	6,863	321	466	145	45.1
Watch and clock materials	278	563	309	519	210	67.9
Watch cases	1,758	3,869	555	547	*a* 8	*a* 1.4
Watch, clock, and jewelry repairing	1,657	8,647	523	637	114	21.7
Watches	3,346	6,675	511	552	41	8
Wirework, including wire rope and cable	4,459	7,917	383	503	120	31.3

a Decrease.

THE TARIFF AND THE TIN-PLATE INDUSTRY.

In the case of tin plate Mr. Holt said we had the promise of lower prices by the trust, and we got higher prices, and that since we had the tariff and the trust, the whole thing has bounded up. He gives a table in which he shows that the aggregate difference for the last 10 years in the purchase price of tin plate here and the price at which it was sold in London amounts to $104,000,000. That is the price he says that the American people paid for having protected tin.[1] That is another of those statements with kinks in them.

In order properly to understand that, you need to compare the difference between the price of tin in America and England for a period of, say, 10 years before the tariff, with the difference between the price in England and America since we have had a tariff. He foots up that we paid $104,000,000 more for our tin than the English did, assuming that we would have gotten it at the same price the English did if we had no tariff. Now, the fact is that the average difference in the price paid from 1890 to 1901 was $1.76 per hundred pounds of tin. That is to say, from 1890 to 1901, we paid $1.76 per hundred pounds more than the English. But how much did we pay more than the English before we had any tin here at all? From 1880 to 1889 we paid on the average $2.16½ more than the London price for every box of tin we consumed in this country, as will be seen by a glance at the following table, which gives the price of tin plates 10 years before and 12 years after the adoption of the protective tariff. The first table is for 108-pound boxes and the second for 100-pound boxes:

Table showing price of tin per 108 pounds for 10 years before the tariff of 1890.

	American.	Foreign.	Difference.
1880	$8.00	$4.86	$3.14
1881	6.40	4.10	2.30
1882	6.20	4.10	2.10
1883	6.00	4.00	2.00
1884	5.65	3.89	1.76
1885	5.35	3.56	1.79
1886	5.25	3.35	1.90
1887	5.50	3.24	2.26
1888	5.45	3.24	2.21
1889	5.45	3.24	2.21
Average	....	....	2.165

Table showing price of tin per 100 pounds since the tariff of 1890.

	American.	Foreign.	Difference.
1890	$5.60	$3.00	$2.60
1891	5.78	3.00	2.78
1892	5.20	2.90	2.30
1893	5.10	2.80	2.30
1894	4.90	2.60	2.30
1895	3.63	2.40	1.23
1896	3.52	2.30	1.22
1897	3.72	2.30	1.42
1898	3.88	2.20	1.68
1899	3.75	2.30	1.45
1900	4.75	3.20	1.55
1901 (April)	4.20	3.90	.30
	*a*1.40	*b*.90	*c*1.76

a Decrease. *b* Increase. *c* Average difference.

It will be seen from these tables that the average difference between the foreign and the domestic price of tin plate during the 10 years preceding 1890 was $2.16 a box, while the average difference between the American and foreign price since we protected the industry and produced the tin in this country was only $1.76 a box. In other words, the difference between the American and foreign price was 40 cents a box less under protection than under free trade. So that, if we adopt Mr. Holt's

[1] See p. 557.

reasoning and regard the $104,612,946 difference in the foreign and domestic price from 1891 to 1900 as the price paid for protection since 1890, we find that the price paid for not having protection from 1880 to 1890, on the same basis of consumption, must have been over $130,000,000. In other words, by whatever name we call this difference, it was about 23 per cent greater under free trade than it was under protection. In addition to that we have the industry; we have the capital invested; we have the labor employed; we have the effect of that entire industry, and we not only do not import any tin, but we have reduced the price of tin more than they have abroad.

Now, let us take the price of tin itself. The last year before we protected tin—or take the year when the law was passed, 1890—tin was $5.60 per 100 pounds in America, and in England it was $3. To-day it is $4.20 in America, and in England it is $3.90; in other words, since 1890, since we have made our own tin, we have reduced the price of tin $1.40 a box, and England has increased the price of tin 90 cents a box.

There is a fact that Mr. Holt speaks of which I had better refer to here. In 1898 the price of tin was very low. It was down to $3.88 for the average of the year 1898. It went up at the close of 1899, and in January, February, and March, 1900, it was $5 a box. It is down now to $4.20, as I said. When that took place, I had a feeling very much like Mr. Holt. I said, "If there is any industry in this country that owes its life to protection, it is tin, and it is unfair to the whole protective people that they should take advantage of organization to put up the price of tin just as soon as they get on their feet." I felt like saying, "Put them on the free list immediately." But I investigated the subject. I went into the cost of all the things that enter into the manufacture of tin, and I found this, that during the year 1899 and part of 1898 those prices went up as I have just stated. Pig tin had risen from 12¾ cents to 25 cents a pound—96 per cent—that is, the block tin. Steel billets of which the plates were made had risen from $14.50 to $25, a difference of 72.4 per cent. Allowing for 5 per cent waste in converting, this is equivalent to a rise of 55 cents on the hundred pounds of tin. Thus the facts come to look like this: The price of raw tin, of which there is 2½ pounds in 100 pounds of I. C. tin, had risen 30.6 cents on 100 pounds. The price of the steel had risen 55 cents. Wages and salaries had risen 11 per cent through the whole work, and amounted to a little over 16 cents on the box of tin. That made a net increase in the cost of the materials which enter into a box of tin of $1.02. The price had gone up $1.05, and $1.02 of it was directly attributable to the increased price in the raw materials.[1] So that at the highest point that the tin reached, it only represented 3 cents on the box more than the actual increase in the raw materials which entered into it. Now that it has fallen to $4.20, wages have not fallen, and the reduction is caused by the economies and saving in other than raw material. So that after all the tariff did not hold the consumer of tin while the trust picked his pocket. His pocket was not picked.

Q. (By Mr. A. L. Harris.) How long has it been since we have ceased to import tin plate?—A. I think we have not imported any tin to speak of since 1899.

Q. The reason I asked the question is that, in the report of 1900 of commerce and navigation, I find that in 1899 we imported 111,113,880.74 pounds of tin plate.—A. I believe there is a certain grade of tin for which there is but a limited demand that we have not produced any of, but the importation of standard tin plate has been gradually reduced from 1,036,489,074 pounds in 1891, to 108,484,826 in 1899.

Q. (By Mr. Kennedy.) What did you say was the increase in the price of tin since the combination was formed?—A. The combination was formed in 1899, I think. The average price for 1899 was $3.75 per hundred.

Q. What was the lowest price?—A. There was a time, somewhere in 1894 or 1895, when it touched close to $3.

Q. As low as $2.60?—A. It was under $3 at its lowest point. But the mills began to close up; they could not work at that; it would have ruined them. But at that time closing up was the respectable thing to do.

Q. (By Mr. Phillips.) All well-appointed plants kept on running?—A. Not all well-appointed ones, but the strongest ones did.

EFFECT OF THE FORMATION OF THE TRUST IN THE WINDOW-GLASS INDUSTRY.

Now, as to window glass. I have taken the pains, after reading Mr. Holt's statement,[2] to get the American and foreign price of common window glass. I have compared also the prices since the trust was formed, so we could see the effect. I have reduced the American product to pounds on the basis of 52 pounds to the box,

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[1] See Vol. I, Report of the Industrial Commission, Part I, p. 53, and chart.
[2] See pp. 564–566.

which is the standard weight. The following table shows the average prices of domestic and foreign window glass in 5-year periods from 1880 to 1900:

	American.	Foreign.
1880 .... price per pound..	$0.058	$0.032
1885 .... do....	.076	.028
1890 .... do....	.037	.03
1895 .... do....	....	.02
1900 .... do....	.044	.0328
Decrease .... per cent..	24	....
Increase .... do....	....	2½

The American price in 1880 was 5.8 cents a pound, and the foreign price was 3.2 cents. There, you see, is what we had to pay when we had no protection on window glass, and were not making any glass. In 1885 the price in America was 7.6 cents, and the foreign price 2.8 cents. In 1900 the American price was 4.4 cents, and abroad it was 3.28 cents. You see that from 1880 to 1900 the price of window glass in this country was reduced from 5.8 to 4.4 cents, or 24 per cent; the price abroad rose from 3.2 to 3.28 cents, a raise of 2½ per cent. In other words, the price of foreign glass has risen during that time and ours has fallen. Now, take the time since the trust was formed. This trust was formed August 2, 1899, and here I get my facts from the monthly summary of the Government Statistical Abstract, and from Bradstreet's for the time that I did not happen to have the Government reports. For the last 3 months of 1899 (that was immediately after the trust was formed) the price in America was 4.9 cents per pound, and the foreign price was 2.96 cents. The average domestic price for 1900 was 4.4, the foreign 3.28 cents. For the first three months of 1901, which takes it down as far as I could get it, the price here was 5.7, and abroad 3.6 cents. You see there has been a rise during this time when everything else rose. Since 1899, after the trust was formed, the rise in this country under the trust has been 16 per cent, and the rise abroad, where there is no tariff trust, has been 22 per cent. Now, I do not quite see myself how, in the matter of window glass, the tariff is holding the consumer while the trust picks his pocket.

Q. (By Mr. Litchman.) Have you taken into consideration the difference in wages paid in this country and England?—A. No. Wages here in the glass works are probably double what they are in England. What Mr. Holt complains about is that the combination of the capitalists is putting up the price to the consumer, and the combination of labor is putting up the price to the capitalist, and so between the two the consumer is mulcted. In all of these comparisons it should be borne in mind that American wages are paid instead of foreign, that the industry is in this country, and that notwithstanding the tariff and notwithstanding the trusts, when you see a rise in the price here you can trace it to legitimate economic causes affecting the raw material; and, in proof of that, you find that the same rise, or a greater one, is going on abroad during the same time in the same product. If you found that foreign tin or foreign glass was going down when ours was going up, you might have said, here is a case; but you find that our prices have fallen faster than theirs, and when there is a rise their rise is greater than ours. The rise is due not to the tariff or the trust here, but to economic causes operating abroad and here.

Q. When you quote a price as 3.6 cents a pound in England and compare that with the price in America at the same time, don't you add to that foreign price the cost of carriage in order to arrive at the comparative price in this country?—A. You only have to look back and see what happened when we bought everything abroad. (See the table.) When tin plates were $4.86 per box in London and in Wales, and we bought the Welsh tin, it cost $8 in New York. They charged us double for transportation, because we were not making any tin. You understand, we buy their tin now, but they do not charge anything like that. They will pay the whole transportation if we will only let it come in.

THE WIRE-NAIL INDUSTRY.

I want to refer now to wire nails. You remember the terrible showing that Mr. Holt made on wire nails.[1] He quoted some figures from a trade paper. He quoted the New York World. In addition to this he quoted someone whose name he was not permitted to tell. Then he quoted a Canada paper and the trade paper, and he

[1] See pp. 559–562

quoted the figures from these special papers to show that wire nails had greatly advanced. I prefer to take the Statistical Abstract and the Government reports and the figures as they are reported in the Journal of Commerce and Bradstreet's from week to week, rather than the figures in the trade papers. Now, according to his figures, wire nails went out of sight. They doubled up in price.

Q. (By Mr. KENNEDY.) Is it true that the Statistical Abstract is made up of figures furnished by the Iron Age?—A. When it is, it is so stated at the top. When they are taken from the London Economist it is so stated. My figures on steel rails came from the Abstract, but it was stated that they were the figures of the London Economist. When they are from the American Iron and Steel Association, as is the case here, it says so at the top. That is as good probably as the Canadian newspaper. At any rate, it is the best I know of.

Wire nails in 1887 were $3.15. They fell in 1891, and in 1892 they were $1.70. In 1893 they went to $1.49. They have since gone up, and in 1900 were $2.76. But as compared with 1887 and the high years that followed, it is a fall in the price and not a rise. In 1901 they fell to $2.

Cut nails in 1887 were $2.30. They were $2.48 in 1900. That difference is nothing considering the immense increase in the price of the raw materials of which nails are made. They are now, 1901, $2.27. All iron materials went up nearly 100 per cent in 1899 and have come down a little since. There is no abnormal rise in the price of wire nails.[1]

Q. (By Mr. PHILLIPS.) What year were they the lowest?—A. In 1894.

Q. What was the price then?—A. $1.11.

Q. What were they last year?—A. $2.76. The whole price now is only one-fourth more than the tariff.

Q. It is more than 100 per cent advance over the lowest price?—A. Oh, yes, over bankruptcy prices. As I pointed out, all the materials that enter into iron and steel rose nearly 100 per cent during that year; and the price of nails is only 100 per cent higher than the bankruptcy price; when you hadn't anything to nail except to nail up factory windows.

GENERAL CONCLUSION AS TO THE EFFECT OF LARGE CORPORATIONS ON PRICES.

There are a few things I would like to say in conclusion about the tariff, and also about trusts. It is clear by the prices that I have given on steel rails, for example, that we can produce them as low as abroad, and sometimes lower. Tin is not anywhere near that, but it is lowering faster than it is abroad, and later we will reach their price. Other iron products are doing the same thing. There has been no tendency toward an abnormal rise in prices since the large corporations. The large corporations seem to me to be the natural growth of the increased industry. They are the natural movement toward the maximum economy that can be secured.

THE TARIFF TENDS TO PREVENT RATHER THAN CREATE MONOPOLIES.

Now, in regard to the relation of the tariff to these trusts and their monopoly: There are many who hold that the danger from these large corporations is that they are monopolies, or are in danger of becoming such, and that if we should remove the tariff we would destroy the monopolistic element in them. You remember that Mr. Holt pointed out that there were some trusts in England.[2] He said there were some trusts in England, but since they have no protection they do not do anything that is particularly bad. If that be true, then large corporations or large enterprises are not bad; and I think they are not, if they are legitimate and are economically and honestly conducted. There is dishonesty in all business, down to peanut selling, but the nature of large corporations is not more dishonest than the small ones, and I think not so much so. They are less likely to have recourse to little petty things. They make their money in larger ways.

Now, let us see how the tariff affects these industries. Suppose the tariff is removed from all iron and steel industries, as Mr. Babcock proposes. How would that affect monopoly? Whom would it strike? Would it affect the large concern that has just been organized, the United States Steel Corporation? That is just the one that does not care. That is the one that has the advantage in various ways in having the transportation, in having the raw materials, and in having practically no intermediate profits. That is the one that has the largest profits on its output. There is no doubt about that. Mr. Carnegie probably has the largest profits on the output of iron and steel of any concern in the country, and he was ready to have the tariff taken off.

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[1] See Vol. I, Report of the Industrial Commission, Part I, pp. 55–57.
[2] See pp. 553–554.

Why? Because he could stand it, and his smaller competitors could not. He would probably have cleaned out a large number of those whose profits are smaller than his. If we should remove the tariff from the whole iron and steel industry, it would punish most those who have the smallest margins. That would not be the Carnegie concern, or the billion-dollar combine. It would be the smaller competitor. If England could come in she would be willing to pay the freight, and it would be a fight between one or two of those very large concerns and the foreigners; and the probability is that in some lines—in steel rails and in armor plates and in locomotives, in a few things like that—those large concerns would win against the foreigners, and between them they would drive out the smaller American industry. We should have one of two things, either a part of our trade transferred to England by killing off the small ones, or else we should have these big concerns that we now complain of (which represent only about 60 per cent of the product) made into a virtual monopoly, because they could stand the free trade and the others could not.

Now, if we are at all desirous of having competition and not monopoly, the tariff protects the weaker competitors and does not protect the large ones. In so far as the iron industry is concerned, if we want any domestic competition we must protect the smaller manufacturers. The tariff has not created any monopoly, and it is not an item in their system. These large concerns have come into existence by virtue of their superior development, and now they have reached the point where they can say, "We do not care about the tariff. We can compete with England. We now sell steel rails and make them as low as they do." But the smaller concerns can not. Hence, I say that the tariff has no essential relations to trusts as such, and instead of helping to give them a monopoly, it is the one thing that prevents them from having a monopoly, because it sustains their smaller competitors who could most easily be driven out by free foreign competition. There is another feature that is still more important. The tariff question is one that, in touching these industries, reaches out and, vibrating through them into the other industries, touches the business of the country. No injury would come to-day from putting steel rails on the free list; but you can not put steel rails on the free list without bringing the tariff before Congress and agitating the entire nation, and thrashing over the entire tariff subject.

THE POLICY OF SELLING AT A LOSS UNDER CERTAIN CONDITIONS.

Q. (By Mr. CLARKE.) Steel rails have been known to fluctuate in price more than the present rate of duty within a short period of three months?—A. Yes.

Q. Suppose, therefore, that there should be such a fluctuation as that, so as to make it possible to dump foreign stocks into our market to a very great extent, would not that have an injurious effect upon the capital invested in this country and upon the employment of labor?—A. Undoubtedly that is very true. When it comes to putting a great industry on the free list, this is the fact; we must not talk about the difference; we must not even share an even price in two markets; if it comes about that there is an even price, it will pay the foreigners to manufacture and supply for another market, and pay the freight, and even more than pay the freight, for the sake of a new market. Now, any large business man knows that in railroads everywhere there are certain portions of the business run without profit, and sometimes at a loss, and yet it is a good thing. A railroad, for instance, will carry freight 1,000 miles in some cases for less than it will carry it 100 miles in some others, and we call that bad discrimination. It is not under certain conditions. For instance, after a road is laid it has its fixed cost; it has all its equipment to maintain, and it can not get the traffic over this 1,000 miles unless it carries it at, we will say, what will barely cover the working expenses. If it does it for that, it is helping to pay that much of the cost of the road, and that enables the road to do the business for the remainder of its patrons at a less rate than it would if it did not have that business, because if it did not have that business the working of the entire road would have to be paid out of the other business. So it often happens that it is actually beneficial for a large concern to sell a part of its product, if that part is necessary to develop a very large concern, at a price right down to the cost—a price at which it could not run its entire outfit.

Q. Is not that the common practice of people who export to meet the foreign market?—A. Always. When the Dingley bill was just on the verge of being passed I saw a letter from a wire exporter in Germany—Geiss, I think the name was, a large wire concern manufacturing piano wires—and his agent here said, "Well, we can't raise the price. The manufacturers here have developed some; what shall we do?" The German said, "Sell at the American price." That meant that there was an outlook here for a large market, and if he should lose that trade it might cripple his entire plant in Germany, and he would sell that part of his product without any

profit at all, and perhaps even at a little loss, on the same plan that a concern will run sometimes at a loss when to shut down means a bigger loss. All business men have that phase to deal with, and I am surprised really to see it raised up as a potent argument of the tariff discussion.

WITNESS BELIEVES THAT THE TARIFF SHOULD BE TAKEN OUT OF POLITICS.

There is one thing that impressed me more than all else regarding this tariff discussion, which is that it ought to be taken out of politics. I hope that when this commission reports it will suggest to Congress and the public some way of having the tariff question referred to some permanent commission or department or official, and of having individual articles placed on the free list, or the tariff moderated, according to the economic developments of the industry. There is nothing I fear quite so much as having Congress turned loose on the tariff, because that turns the nation loose, and the whole subject becomes discussion for a campaign, which probably means giving us another panic. To my mind there is nothing quite so important as to have the tariff reduced to an economic basis governed by a general principle and then dealt with, as it were, by an official department.

Q. Now, while it might be true that such a commission as you suggest might ascertain facts and be of great aid to Congress, since the Constitution provides that all revenue bills must originate in the House of Representatives, and that the House of Representatives must be elected every two years, how is it possible to take the tariff out of politics?—A. I am not a Congressman nor a politician, and my first thought is as to the economics of the proposition, that it would be a good thing if it could be done. That is the first thing. The next thing is, if there is a constitutional or some other difficulty in the way, to so deal with the difficulty as to make the wiser thing possible. We should consider the best way of doing things, and if the best ways are not constitutional, then we ought to make it constitutional.

THE UNFAIR COMPETITION OF LARGE CORPORATIONS SHOULD BE PREVENTED.

The same is true of the trusts. Now, the question is about the remedy for trusts. When I say remedy, I do not mean that trusts are a bad thing; when I say trusts, I mean large corporations. I do not want you to understand me as agreeing with Mr. Tayler that trusts are an evil,[1] and therefore the question is how to get rid of that evil. On the contrary, trusts or large corporations are a positive benefit. We can't go back to smaller concerns and recede into inferior methods without paying the price in inferior results. The natural growth of corporations is along the lines of greater productive efficiency, and if you take any considerable period you will find that the result of such organizations on prices is a benefit to the community; the result in wages is definitely beneficial; labor organizations can deal better and more effectively with large corporations than they ever could with small ones. That has been shown by the recent experience in the whole mining regions with Mitchell, Morgan, and others, and that is the general experience of the labor leaders. But like everything else there are evils connected with these organizations just as there are evils connected with trade unions. Every now and then we have to resort to physical force, and somebody is hit on the head. Well, every friend of trades unions thinks that their evils must be gotten rid of, if trades unions are to do their best. There is one thing about large corporations that ought to be reached, and that is this: Prices of products of any concern should be the same in all localities, the cost of transportation being considered. For instance, here is a nail trust. Some little fellow, perhaps, starts up somewhere, and they start an agency there and put the price below cost until they run him out; and then, of course, whoever puts the price below cost is going to put it back again just as soon as he can. Now, that has been done; it has been done a hundred different ways; it is done in the nail business. Now, just how that evil could be reached I am at this moment not clear, but it is obvious that if a large concern, no matter in what industry, puts its price in one vicinity at 10, and in another vicinity where the cost of transportation is substantially the same at 5, that is not competition, that is not economics, that is not business; that is persecution, and ought to be prohibited.

GAIN IN EFFICIENCY THROUGH THE ORGANIZATION OF THE UNITED STATES STEEL CORPORATION.

Q. (By Mr. A. L. HARRIS.) Can the United States Steel Corporation produce cheaper than the Carnegie Company could do?—A. I think not. I suppose the Carnegie Company in its own products is at the top notch, and that there is nothing that

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[1] See pp. 603–609.

the aggregation can do, so far as the products of the Carnegie concern goes, that can work a greater economy. But this is what the combination can do, what it has undoubtedly planned to do. It includes a large number, not merely of steel rail works, but of tributary iron works. Some of those may have poor management. It can bring those up to the standard of the Carnegie Company. For instance, here is one concern that has made a very poor showing, while in that other concern there is an exceptional man like Schwab. It can place the exceptional man at the head of that poorer concern. He could not go there probably if it was an individual concern; there was no way for him to float around, but by the great combination the corporation has at its disposal more managing ability, to which it can give efficient distribution. For instance, in the Carnegie concern itself there may be two or three Schwabs. Now the combination can distribute that ability; it can thus distribute the benefits of the best that are within it to the points of the poorest, and so carry throughout this great concern the economies and efficiencies of its highest point.

THE QUESTION WHETHER LARGE COMBINATIONS CAN FIX THE PRICE OF THEIR PRODUCTS.

Q. Can not the United States Steel Corporation substantially fix the price, and the smaller corporations follow the price?—A. No. That can not be done by the large steel corporation, nor by the Standard Oil Company, nor any of those big combinations. When there are a lot of competitors outside they can only fix prices one way; they can fix them down, but they can't fix them up. The great Carnegie concern can put steel rails down, but it can't compel Laughlin's and those others to put steel rails up. If steel rails go up it is not chargeable to the large concern any more than to the little ones. If these little ones who are so virtuous are appalled at the idea of steel rails going up, why don't they sell some rails cheaper? That will fix it. In the oil field, for instance, I hear about the Standard Oil Company all the time; about how it fixes the prices. It fixes them downward only. During this high time, oil has touched 10 cents. Now there is the Pure Oil Company; it could have sold at 7 cents, but it sold at 10. You never caught the Pure Oil Company selling any lower than the Standard. Why? The same reason. The Standard can't put the price up, that is, to the exclusion of the others. There are nearly a hundred outside oil companies; some of them have millions of investment. Now, the Standard Oil Company, if it had a mind to, could do this; it could put oil down to where it could wipe nearly all of the others out; that is, it could put oil so low that its competitors, with two or three exceptions, could not live. It could do that; it could get a monopoly, but it has more sense. I tell you what it does do; instead of wiping them out it lets the price stay where they get a good dividend, and the higher the prices go, the bigger its profits, and whenever these others can't sleep nights because the price is too high, it is for these others to lower it, but they never do.[1]

Q. I did not intend to open up the Standard Oil question.—A. I don't mean any particular industry, but I give this as an example of a general principle. The truth about large concerns is this: A real monopoly can put the price up, but so long as there is a competitor outside, the so-called monopolies can't put prices up without the competitors' consent, because the competitors can say, "Hold on there." If Laughlin and those other large concerns in Pittsburg will sell steel rails at $25, Mr. Morgan's concern can't get $30 and $35. There is not a railroad in the country that would not give Laughlin all the orders that would keep him working the rest of his natural life. A large concern has not the power to put the prices up abnormally. The only power it has and exercises absolutely is to put the prices down.

STANDARD OIL COMPANY'S PUMPING SYSTEM—REGULATION OF THE PRICE OF CRUDE OIL.

Q. (By Mr. A. L. Harris.) Does not the Standard Oil Company fix the price of crude oil?—A. Yes; and I will tell you how it is done.

Q. (By Mr. Phillips.) Is it through the Seep purchasing agency?—A. I spent part of a summer investigating that in western New York and northern Pennsylvania. This is what they do: They have the pipe lines, and they connect them to every well that is sunk. I am inclined to think now they are required as common carriers to do so. If a person sinks a well, no matter how little or how much that well yields, it is pumped right into the Standard's lines and tanks. In other words, they buy all the crude oil there is, no matter how much or little; they take it all, and they take it all at the same price that day. I agree that they say what the price is; it is 84 or 89 cents, or it is $1; yes, that is our price to-day, but every little man who can pump 2 or 3 barrels a day can get the same price, and get spot cash for his oil just the same as the man whose wells

[1] See Vol. I, Report of the Industrial Commission, Part II, pp. 293, 345–346, 444, 598.

pump 40 barrels an hour. So the Standard Company is not only taking it all, but it is taking it all at the same price to everybody. There is not the equal of that anywhere on the earth. It is exactly what free coinage of silver would have been to silver if the United States Government should take all that comes. The Standard Oil Company takes all that comes, and it gives spot cash, and no matter whether it wants it or not. Now, then, this is what it does: If the stock is getting too large it lowers the price. It says, "We will only give 75 cents; we will only give 70." They know what is a reasonable stock to carry along their business, foreign and domestic, and when the stock on hand is getting large they lower the price. That is the way they regulate it, but they take it all just the same. They keep lowering the price if oil keeps coming, until it does not pay to sink more wells. On the other hand, if the stock is getting down they raise the price.

Q. (By Mr. PHILLIPS.) They are guardians, then, for the people's rights?—A. Yes; in looking after their own. I will tell you what they do. I am not talking about their motive; I am talking about facts. I don't think there is any difference in the motive of the Standard Oil Company and the motive of the owners of the wells; but there isn't another industry in the world where the poor man can have his product taken from his door, and taken at the same price as the big man, and get spot cash for all he can do, without asking any questions. There is not another industry nor another country on the earth where the little man is so absolutely on a level with the big man, and runs no risk, as the man who owns a little pump, and it is due to that pumping system of the Standard.

Q. Was not that the case before the Standard Oil Company was organized?—A. No; those pipe lines never worked together before the Standard Oil Company.[1]

Q. There was a universal price for oil then?—A. No; there was no universal price then, and, moreover, at that time the oil had to be taken to the railroad and shipped, and then reshipped. What pipe lines there were before the Standard were little short sections. Under present conditions it is true that the Standard Oil Company does fix the price; they say what they will give, but they take it all, as I say, and when their stock is getting too large they lower the price, and when it is getting too small they raise it; and there is not anything arbitrary about that any more than there is in fixing the rate of interest by the Bank of England. It is just the same.

Q. Now, do you know what profits they make in proportion to what they pay the producers for this oil?[2]—A. Of course they have made profits; that is, the oil was worth more to them than they gave for it; but what they gave for it was worth more to the well owners than anybody else could give them, or more than if they could have taken it to the market themselves.

Q. How do you prove that?—A. The evidence of that is that all producers are glad to sell in that way. When I went among them, I talked with small dealers. I said, "What would you do if they would not take your oil?" They didn't know. A great many of them said their production was so small that it would not pay them to go to a railroad or anywhere else; they never did so well as since the oil could be taken directly from them in that way.

RELATION OF THE STANDARD OIL COMPANY TO THE PUBLIC.

A. (Continuing.) Now, as to squeezing the public, of course the Standard Oil Company has made very large profits. It probably has a capital-earning investment as has been said, of seven or eight hundred millions, and there is no doubt but that this is true, that most of that investment in domestic and foreign trade has been largely taken from earnings and reinvested, but that is just as good capital as if it had not been taken from previous earnings. If they had taken the entire profit each year their profits would have been a little larger, but their investment would have been smaller; but this is the question: Have they extorted from the public? They have not. I will tell you what they have done with the public right along. So far as those who furnish the raw materials are concerned, the Standard has been a positive benefit, and you could not possibly get producers in any oil-developing regions in the country to vote to change the system. It has been a benefit to them. It has been a benefit to the Standard, because by their great facilities they are able to utilize the oil, and they are able, through their immense methods, to convert it cheaper; that is, at a much less cost than anybody else. The result is that when they sell their immense products of refined oil they get a larger profit out of it than do any of their competitors, but they sell it to the public just as cheap as their competitors do. They do

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[1] See Vol. I, Report of the Industrial Commission, Part II, pp. 262, 409, 413, 423–426, 480–482, 603–605.
[2] See Vol. I, Report of the Industrial Commission, Part II, pp. 311, 360, 480, 532, 544, 571, 591–592, 602, 735–736.

not extort anything from the public, because they give the public just as much for a dollar as any competing refiner gives them. There is not another oil company in this country that gives a gallon of oil for less than the Standard Oil Company gives it. So far as the consumers are concerned, they are dealt with by the Standard Company exactly the same as by the other companies. They get a larger profit because their difference between the cost and price is bigger than their competitors' difference. Now, they don't extort that from the public; they extort that from nature; they extort that by their superior knowledge of the business. If they charged a cent more than their competitors, that would be extorting from the public, but they don't do that.

Q. (By Mr. LITCHMAN.) Do the competitors pay any more for raw material than they do?—A. No; their competitors don't pay any more for raw material.

Q. (By Mr. PHILLIPS.) It has been stated in evidence before this commission, and also before the Congressional committee, that they have received in rebates $10,000,000 in fourteen months from the railroads. Now, do the others get the same kind of rebates as the Standard, or have they had to pay rebates from their own pockets to the Standard?[1]—A. There is no doubt whatever that in the early '70's they got rebates; that was the habit on all railroads; then everybody got rebates. It was a mere dicker all around. There was not any such thing as an honest railroad rate during that time. Now we have gotten rid of that.

Q. But didn't they have a monoply of these rebates?—A. There is no doubt everybody got rebates, and it was really a matter of who could get the biggest rebate. This is what really did happen in 1871, 1872, 1873, somewhere along there; there is no doubt whatever but that the Standard Oil Company did try to do the best it could along that line. They went to one road and they said, "How much rebate will you give," and made each road bid against the other, so there was not anything in the business, and finally the railroads pooled. There is no such thing now, and the railroad rates are as nearly fair as they are likely to be.

Q. I wish to ask a question which was brought to my mind by the question Governor Harris asked in regard to what is called the Lima or Ohio oil. Now, did or did not the Standard keep that oil down to about 15 cents for several years, and pile up a large amount of stocks and purchase the majority of that field? Did they or did they not immediately put the price of that oil up and get it recommended as merchantable oil on the New York Exchange after having got this great advantage of those people?—A. What was that? It is not the Marietta affair?

Q. It is the Ohio field, called the Lima oil.—A. I guess that is a specific case I do not know about.

Q. You say you are very familiar with oil. This is a very large field?—A. I have paid a great deal of attention to that oil matter. I have gone into it more than into almost anything else, but there seems to be something I do not know about, and this particular thing I do not remember.[2]

THE STANDARD OIL COMPANY'S COMPETITION WITH OTHER CONCERNS.

Q. Has or has not the Standard made a universal practice, where there is an independent pipe line laid in any particular field, of putting a premium on the oil which the line buys in that field until it would bankrupt the independent line, and then taking that premium off? Have you discovered that or not?—A. No, I have not. I have no evidence of that.

Q. And after they took the premium off have they also dropped the price of oil as a rule?—A. No. There have been local cases, years ago; no doubt about that. But in the main this is what I have found: Wherever the Standard went there was a local alarm started, and there seemed to be more of an organization to fight and get money out of the Standard than there was to do legitimate business along with it, or in competition with it. I could name several cases where whole plants that were not worth more than $10,000 were sold for fifty and a hundred thousand. That one of Rice's, for example, for which he wanted a half million, never was worth twenty-five thousand, and at the time he wanted half a million it was not worth ten thousand.[3]

Q. (By Mr. LITCHMAN.) Have you known of any case where the influence of the Standard Oil Company was used to prevent an opposition pipe line from reaching tide water?—A. No.

Q. (By Mr. PHILLIPS.) Do you know anything about the trouble the United States Pipe Line had in trying to get through New Jersey?[4]—A. Yes.

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[1] See Vol. I, Report of the Industrial Commission, Part II, pp. 556–559, 579, 612–614, 706–709, 790, 795.
[2] See Vol. I, Report of the Industrial Commission, Part II, pp. 402–403, 560, 592.
[3] See Vol. I, Report of the Industrial Commission, Part II, pp. 559, 749–754, 793–794.
[4] See Vol. I, Report of the Industrial Commission, Part I, pp. 264, 267, 397, 445, 529, 593, 650–655, 659.

Q. At a cost of hundreds of thousands of dollars they had to pull up their line and go to Philadelphia?—A. Yes. Why? Simply because of the kind of opposition that the Marietta people under Rice and others have raised against it, which has made a political matter of it.

Q. Has it been the method of the Standard constantly to follow the small producer into a given market and undersell him in that market?—A. That is not general at all. That does not affect a hundred millionth part of their business. That has been done here and there, but in the case of these refining concerns that have a million or two millions of capital, their prices are fixed by nothing of the kind. If oil to-day at 7 cents is selling at an exorbitant price, why don't some of the other concerns sell theirs at a cent less? My point is that if the smaller people who are all the time complaining about the larger ones want the public to believe that oil, or iron, or tin, or any of these things made by large concerns could be sold cheaper, and that these large concerns are simply extorting from the public, why don't these little concerns that are in the same business sell theirs at lower prices and fix the prices instead of complaining? There is no reason why they should not do that. Will the Pure Oil Company put its oil on the market at a cent less than the Standard?

Q. Did or did not the Standard drop the price of oil more than one-half in New York and Philadelphia when the Pure Oil Company began to distribute oil in those places?—A. The Pure Oil Company is a concern of millions of dollars. It can give this country oil at a legitimate price. It is not a little bit of a concern, to be chased here and there. Their wagons in New York could take and sell oil if there is a legitimate profit, at 5 cents a gallon, and the Standard could never prevent it from doing it, and the whole country would come to its back, but instead of that it gets 6¾ or 10 cents, whatever the Standard gets, and then complains that the Standard is putting up the price. The Standard is doing nothing of the kind. The little fellows have all the power to put down the price that the Standard has, and their position is not valid if they will not put their word into action and put down the prices. What is the use of a silk manufacturer coming here and saying that the price of silk is put up by his competitor? If he can put it down, why doesn't he put it down himself?

Q. Did the Standard or did they not buy up all the installation plants or receiving tanks in Germany excepting one? Did they or did they not buy out the agencies of the Pure Oil Company over there and put down the price of oil so that they could not make a profit there for several years?—A. They are buying up all the plants they can. They have been trying to buy the whole Bohemian fields, but they could not. Whether they are buying in Germany I do not know; but that has nothing to do with the Pure Oil Company's price of selling oil in this American market. The Pure Oil people have never sold their oil below the Standard, and if the Standard is robbing the public the Pure Oil Company is robbing the public also. The Pure Oil people are the bigger hypocrites to go around parading the idea that the Standard Oil Company is robbing the public when they are robbing them exactly the same, and are pocketing the plunder and parading around as public reformers and come here before this commission and complain that the Standard Oil Company is extorting from the people. There are nearly a hundred competitors of the Standard Oil Company, and not one of them will sell oil any cheaper than the Standard. I have a list of over fifty competitors.

Q. (By Mr. CLARKE.) Are the producers or refiners of oil in this country in any way protected by the tariff?—A. No; oil is on the free list except in the case of countries that put a duty on our product.

FEDERAL CONTROL OF LARGE CORPORATIONS IS DESIRABLE.

Q. (By Mr. PHILLIPS.) Have you anything further to observe?—A. These large corporations, to my mind, ought to have their charters from the Federal Government; they ought to be national; and then in those charters could be a stipulation that they should not do what I have just said, sell specifically low here to the injury of somebody, and moreover there would not then be lobbying and haggling in every State legislature, pulling here and hauling there.

Q. (By Mr. LITCHMAN.) You mean for the Federal Government to control them through its power of regulating interstate commerce?—A. I mean for it to control them regardless of interstate commerce. I know there you have a constitutional question, but it is like the others. I think if we could have the United States Government grant charters for these large corporations they would then be under them, they could not skulk away under any particular State under a liberal charter; they would be under the United States Government, and whatever proper restrictions are necessary could be put in the Federal charter.

STANDARD OIL COMBINATION.

AFFIDAVIT OF HENRY DEMAREST LLOYD,

Author of Wealth Against Commonwealth.

Henry Demarest Lloyd being sworn and shown the following statement[1] made by Mr. John D. Archbold before the Industrial Commission—

"I desire to say a word regarding the effort at pathetic reference of Mr. Lockwood to the Rice case in Mr. Lloyd's book. I desire to characterize this statement in Mr. Lloyd's book, as well, indeed, as all the other statements with reference to our business, as cunning fiction, made up entirely on one-sided testimony and dressed for sale. Whether Mr. Lloyd expected to share, as a result of his advocacy of Rice, in what Mr. Rice might be able to get from us, I am unable to say, but he certainly lays himself open to that suspicion.

"I desire to say further with reference to this book of Mr. Lloyd's, that if you are disposed to waste your time reading it you will find it, with reference to its statements regarding the business of the Standard Oil Company, one of the most untruthful, distorted compilations that was ever inflicted upon a suffering public.

"Q. (By Mr. Farquhar.) Will you state the title of the book?—A. Wealth *vs.* Commonwealth"—

makes deposition as follows:

That he is the author of Wealth Against Commonwealth.

That the main and central statements of Wealth Against Commonwealth are:

First. That certain men, now commonly known as the Standard Oil Company, entering the oil business before and after 1872, with no more capital and business experience than men already successfully established in the business, were declared by judicial and legislative investigations by the state and national Governments to have obtained in a few years after 1872 a controlling and monopolistic position in the great oil industry.

Second. That judicial decisions and formal reports of legislative investigations declare them to have done this largely by making with the railways secret and unlawful contracts, by which their competitors and the people at large were denied the protection of competitive markets for buying and selling and deprived of their right to work at the occupation of their choice, and were forced to abandon their efforts in the oil industry to provide a livelihood for themselves and their families. After taking 3,700 pages of evidence and sitting for months, the railroad investigating committee of 1879 of the New York legislature said in their report: "The history of this corporation is a unique illustration of the possible outgrowth of the present system of railroad management in giving preferential rates, and also showing the collossal proportions to which monopoly can grow under the laws of this country. * * * The parties whom they have driven to the wall have had ample capital and equal ability in the prosecution of their business in all things save their ability to acquire facilities for transportation."

Third. That this success of the oil monopoly has encouraged the formation of other monopolies by similar means, filling the minds of the people with alarm and threatening not only the prosperity, but the peace of the country.

Deponent further swears that his account of these matters in Wealth Against Commonwealth makes no claim to be the result of original investigation, nor personal knowledge, but is in all things essential and controversial a transcription from the documentary records of state and federal courts, civil and criminal, of legislatures, of Congress, of the Interstate Commerce Commission, and of sworn testimony given in legal proceedings and official inquiries, corrected by rebuttal of testimony and cross-examination, with no changes in substance and no changes in form other than those necessary for such condensation and simplification as make the transcription intelligible to the common people.

He further swears that in giving the public the particulars on which the official verdicts have been found his account is so far from being "one sided" that in less

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[1] See Vol. I, Report of the Industrial Commission, Part II, page 559.

than 500 pages it contains more than 200 quotations, some of them nearly a page in length, from the testimony and statements in behalf of the members of the oil monopoly, and that in all cases he has indicated the nature of their defense, so much so that what is pertinent in the replies to him which have been made for them will be found to have already been given by him in Wealth Against Commonwealth.

Deponent further says that every controversial statement made by him is supported by exact references, by page and volume, to the official sources of information on which it is based; that in the 5 years which have elapsed since the appearance of the book it has not been shown that his conclusions have gone beyond the decisions or the testimony on which they are based, nor has the accuracy of his quotations and condensations been disproved.

Deponent further points out, in answer to the charge of "one-sided testimony," that the selection of the testimony was not his work, but that of courts and legislative committees which, after hearing both sides on direct and cross examination, chose the "one side" which was to be believed. Deponent believes he would have been entirely within his legal and literary rights in accepting this "one-sided testimony" as the testimony officially and judicially attested and approved. But the deponent points out that, though he would have been justified in disregarding the testimony of the other side, as these public authorities disregarded it after hearing it, he has not done so, but in all cases has made sufficient reference to and frequent quotations from this testimony on the other side.

The deponent, in answer to the characterization of "all" of the statements of Wealth Against Commonwealth as "cunning fiction, made up entirely on one-sided testimony and dressed for sale," refers to his verbatim quotations from the many decisions of the supreme court of Ohio and supreme court of New York, the Federal court of the southern district of Ohio, decisions of the Interstate Commerce Commission, of the criminal court of oyer and terminer of Erie County of New York, in the Buffalo cases, of the court of Cuyahoga County, Ohio, in the case of the Standard Oil Company against W. C. Schofield & Co. in the "contract in restraint of trade" case, the decision of the supreme court of New York in the case of Samuel Van Sickle against the Acme Oil Company for the suppression of inventions and inventor, the decisions of the Interstate Commerce Commission in the cases of other refiners than Rice attacked by the same methods, the formal declarations of the New York assembly railroad investigating committee of 1879, and of the Senate select committee of the Forty-ninth Congress; and, adding to these the many quotations made by him from the testimony of the members of the oil monopoly or men favorable to them, respectfully submits that these decisions and findings and friendly testimony can not be properly described as "cunning fiction made up entirely on one-sided testimony and dressed for sale."

Further, as to the complaint that the statements "regarding the business of the Standard Oil Company" are "distorted," deponent states that he would have been able to add largely to his quotations from the defense of the Standard Oil Company but for the fact, stated by the New York assembly legislative committee of 1879, that they were "unable to ascertain the exact relations of these different organizations, owing to the refusal of several members * * * subpœnaed as witnesses to obey the subpœna, and the refusal of those who did attend to answer our questions." The committee refers to the combination as "this mysterious organization, whose business and transactions are of such a character that its members declined giving a history or description of it lest their testimony be used to convict them of a crime."

The deponent further points out that Wealth Against Commonwealth quotes from official sources the fact, which is not now denied by anyone, though denied at first, that the men seeking to obtain a monopoly of the oil business organized a company called the South Improvement Company, and that this company in 1872 made secret and unlawful contracts with the principal railroads by which their competitors could move.

And dependent further states that Wealth Against Commonwealth cites other decisions and findings to the effect that, although the charter of this company was almost immediately forfeited by the State of Pennsylvania and the contracts with the railroad canceled, substantially similar relations with various railroads were thereafter reestablished by the Standard Oil men, as is shown in many cases.

To show the part taken by the president of the Standard Oil Company in this South Improvement Company, Wealth Against Commonwealth quotes the testimony of one of his principal associates before Congress in 1888 and quotes said president at about the same time in his testimony before the New York senate committee of 1888, when asked under oath if he had not been in the "Southern Improvement Company," as saying, "I was not."

Wealth Against Commonwealth reproduces from the official publications of Congress and the State of New York the details of the contract made by the South

Improvement Company with the railroads of the oil regions as showing that this bound the railroads in substance: First, to increase the oil freight rates, sometimes to double; second, not to charge it the increase; third, to collect the increase from its competitors; fourth, to put the rates of freight up or down as might be necessary to overcome its competitors; fifth, to spy out the details of the business of these competitors and make reports to the South Improvement Company of all shipments made by these competitors, with full particulars as to how much was shipped and to whom, and so on.

The purpose of this contract was stated by the vice-president of the Erie Railroad, a witness friendly to the South Improvement Company and the Standard Oil Company, to be to give it "a complete monopoly."

The Hon. S. C. T. Dodd, now and for many years counsel for the oil monopoly, when still an anti-monopolist, a member of the constitutional convention of Pennsylvania in 1873, said:

"The South Improvement Company's scheme would give that corporation the monopoly of the entire oil business of this State, amounting to $20,000,000 a year."

The causes of the forfeiture of the company's charter and the cancellation of the contracts are declared in Wealth Against Commonwealth to have been publicly stated by Mr. Dodd in the proceedings of the Pennsylvania constitutional convention of 1873, as follows: "Their scheme was contrary to law, but before the legal remedy could have been applied the oil business would have lain prostrate at their feet, had it not been prevented by an uprising of the people, by the threatenings of a mob, if you please, by threatening to destroy property, and by actually commencing to destroy property of the railroad company, and had the companies not canceled the contract which Scott and Vanderbilt and others had entered into, I venture to say there would not have been 1 mile of railroad track left in the county of Venango, the people had come to that pitch of desperation."

The identity of the South Improvement Company and the Standard Oil Company is shown by the fact that 10 of the 13 members of the South Improvement Company were active members of the Oil Trust, among them the president and the majority of its directors. The New York assembly committee of 1879 officially confirmed this, saying "The controlling spirit of both organizations being the same."

The denial and explaining away of this affair by the president of the Standard Oil Company are fully credited to him in Wealth Against Commonwealth, on pages 53 and 59, one quotation from him occupying three-quarters of a page.

Deponent further states that nowhere in Wealth Against Commonwealth does he allege that business was continued under this contract, but does allege that the fact that these men were willing to make and did make such a contract and withdrew only when threatened with popular revolution is a headlight illuminating their whole track then and since.

Deponent further states that Wealth Against Commonwealth cites official records, like the decision in 1885 of the supreme court of Ohio, to show that the Standard Oil men, after the abrogation of this South Improvement Company contract and the nominal abandonment of the scheme, proceeded to make other contracts with various railroads practically similar in important particulars to the contract of the South Improvement Company, and that he cites the adjudications and testimony in the Rice case and in other cases before the Interstate Commerce Commission which are to the effect that these relations continued even after the passage of the interstate-commerce law had made unlawful railroad discriminations criminal.

Deponent further says that his statement in Wealth Against Commonwealth that this South Improvement Company no longer exists in name, only "in reality," and that the decease of the name was no obstacle to the continuance of the scheme is supported in Wealth Against Commonwealth by official findings in others than the Rice cases.

Wealth Against Commonwealth quotes from the exhibits, affidavits, and decisions in the case of Standard Oil Company *v.* W. C. Schofield et al., Cleveland, 1880, to the following effect: "In 1876, four years after the forfeiture of the South Improvement Company charter and the cancellation of the contracts, the president of the Standard Oil Company conducted a negotiation with a firm of Cleveland competitors by which they were put under bond to refine only about half their capacity for the ensuing ten years."

An Ohio court set aside the contract as unlawful and "in restraint of trade." Wealth Against Commonwealth cites, as indicating the source of the power which had enabled this bond to be forced on unwilling competitors, a decision of the supreme court of Ohio in 1885, 13 years after the apparent abandonment of the South Improvement Company scheme. This decision revealed that in 1875, a year before making this contract "in restraint of trade," the Standard Oil Company had secured a contract from the Lake Shore Railroad which, like the South Improvement

Company contract, was meant, as the supreme court of Ohio said, "to keep the price" of transportation "*down* for the favored customers, but *up* for all of the others, and the inevitable tendency and effect of this contract was to enable the Standard Oil Company to establish and maintain an overshadowing monopoly, to ruin all other operators and drive them out of business."

The purposes of the oil company in this contract with the railroad the court declared to be "unlawful," and the court in the same case declared a contract between two railroads which was related to the business of the oil company and in its interest to be "not only contrary to a sound policy, but to the lax demands of the commercial honesty and ordinary methods of business."

Deponent further refers the Industrial Commission to the fact that Wealth Against Commonwealth quotes official findings showing that the monopoly of pipe lines now held by the Standard Oil men and constituting the most valuable part of their property was obtained by them by the help of railroad discriminations closely resembling those they sought to procure from the South Improvement Company.

The report of the New York assembly committee of 1879 is quoted to show that the rates made by the railroads to the pipe lines of the Standard Oil Company were such that the company "could overbid in the producing regions and undersell in the markets of the world."

The relations of the oil monopoly with the railroads in this case were regarded by the committee as in "flagrant violation of every principle of railroad economy and natural justice."

This discrimination was followed by the absorption of the pipe lines belonging to the men who could not get the rates that were "flagrant" by those who could get them and by the creation of the present pipe-line monopoly.

The last great act in the completion of this monopoly was the conquest of the Tide-Water Pipe Line, also along the lines of the South Improvement Company scheme. The Tide Water was the first trunk pipe line built to the seaboard, one of the most important developments ever made in the oil business, and due not to the oil trust but its competitors, as has been all the improvements except the "Improvement" Company. It was built by the surviving independent oil producers and refiners of Pennsylvania in their desperate struggle to escape the discriminations of the railroads against them and in behalf of the monopoly.

The railroads, in the interest of monopoly, made war on the Tide-Water, reducing rates, as was stated by a witness friendly to the monopoly, to "not enough to pay for the wheel grease," with the ultimate result that the Tide-Water Pipe Line passed, in 1883, into the control of the National Transit Company, which is the pipe-line branch of the oil monopoly.

Wealth Against Commonwealth quotes the president of the Standard Oil Company under oath in 1888, before the New York senate committee on trusts, as swearing that the Tide-Water was a "competing company," in opposition to his company, and quotes him in the same investigation, when asked if he had any connection with the National Transit Company, which is the most valuable part of his oil trust's property, as saying, under oath, "I have not." Wealth Against Commonwealth then quotes the attorney and the treasurer of the Tide-Water as both testifying that a contract to settle their rivalry in business had been made in 1883, and quotes the Interstate Commerce Commission in 1892 as judicially finding the same fact, saying, "About December, 1883, the pipe lines, with the view of getting better rates, adjusted their differences, and the competition between them ceased. The pipe-line business appears then to have passed into the control of the National Transit Company."

Wealth Against Commonwealth reproduces the official finding of the New York assembly committee of 1879, that, in 1877, the railroads of the East, largely the same that took part in the South Improvement Company, united in a railroad war against the Pennsylvania Railroad, and "joined hands with the Standard Oil Company and proceeded to enforce by a war of rates, which terminated successfully in October of that year," a sale by the Pennsylvania Railroad to the oil monopoly of its entire outfit, pipe lines, cars, and refineries in New York and Pennsylvania. This again was like the South Improvement Company scheme of 1872, in which the railroads had bound themselves to "maintain the business against loss or injury by competition," and to put the rates of freight up or down as might be "necessary to overcome * * * competition." Wealth Against Commonwealth also quotes the testimony shortly after in a Pennsylvania court of the present president of the Pennsylvania Railroad, Mr. A. J. Cassatt, always friendly to the oil trust, to the effect that after this forced sale by the Pennsylvania Railroad of its oil business and oil outfit, all the remaining competitors of the oil monopoly who were doing business over the lines of the Pennsylvania Railroad were notified, according to the South Improvement Company precedent, that the Pennsylvania Railroad would thereafter give lower

rates to the members of the oil monopoly than to them, though they had been during the preceding year the largest shippers of oil over the road, and that they would not be allowed to put cars of their own on the road, though the Standard Oil Company were allowed to do so.

In referring to Mr. John D. Archbold in these proceedings, Wealth Against Commonwealth confines itself to the records. It quotes him when put on the witness stand, in the proceedings brought by the State of Pennsylvania against the Pennsylvania Railroad in consequence of this discrimination, as stating, under oath, that he was not allowed a rebate amounting to $0.64½ per barrel, but immediately afterwards compelled to produce his books, admitting "there was a total allowance of $0.64½ a barrel."

Deponent further states that judicial inquiry in Pennsylvania and legislative inquiry in New York are used by him in Wealth Against Commonwealth as showing that the Pennsylvania and other railroads, acting as if in pursuance of the South Improvement Company plan, paid to some of the members of the Standard Oil Company, under the name of the American Transfer Company in 1878, an allowance of 22½ cents a barrel on all the oil these railroads carried from the oil regions. This payment was defended as made for the service of the American Transfer Company in collecting and delivering the oil to the railroads, but Wealth Against Commonwealth quotes the present president of the Pennsylvania Railroad, then third vice-president, Mr. A. J. Cassatt, as swearing that this allowance was paid to the American Transfer Company on oil which it (the American Transfer Company) never handled. "It is paid on all oil received and transported by us." (Commonwealth of Pennsylvania *v.* Pennsylvania Railroad et al., 1879, p. 691.)

Deponent further points out that official, judicial, and legislative sources of information are quoted in Wealth Against Commonwealth to the effect that the plans contemplated in the South Improvement Company contract with regard to a monopoly of oil terminal facilities had been substantially carried out since the cancellation of that contract. The South Improvement Company's bargain of 1872 had provided substantially that the railroads should turn over to it such oil terminal facilities as they possessed at the seaboard.

Seven years later, in 1879, the New York assembly committee found that the oil combination was in control of the oil terminal facilities of the four great trunk lines at New York, Philadelphia, and Baltimore, and the committee stated in their report that "they can use the power here given, and have used it, to crush out opposition;" and 20 years later, in 1892, the western traffic manager of the Erie testified before the Interstate Commerce Commission that he would not receive at the Weehawken oil docks of the Erie road a shipment of oil in competition with the oil of the monopoly, and in 1892 the Interstate Commerce Commission found that the oil combination "have a monopoly of those facilities to the exclusion of complainants."

As to the Rice case, which Mr. Archbold emphasizes, Wealth Against Commonwealth quotes the decisions of a Federal court, of the Interstate Commerce Commission, of the supreme courts of New York and Ohio, and the testimony of friendly railroad men and of men connected with the Standard Oil Company to the effect that the important features of the South Improvement Company scheme were substantially reproduced in the treatment given Rice by many railroads.

Freight rates were doubled to Rice and more, but not only were not increased to the monopoly, but actually lowered to it, and freight rates collected from Rice were paid over to it. The railroads in 1879 and later, which in 1872, in the language of the South Improvement Company contract, undertook to "maintain the business against loss or injury by competition," and to make the freight rates such as might be "necessary to overcome such competition," again refused Rice, after the passage of the interstate-commerce act, as the Pennsylvania Railroad did to the other independents mentioned above, the right to put on his own cars, and in repeated cases, refused him information even as to what would be the freight rates charged him if he undertook to ship anything.

Wealth Against Commonwealth quotes from the testimony of one of the men of the oil monopoly given before the Interstate Commerce Commission, to the effect that the feature of the South Improvement Company arrangement, by which the business done by its competitors was to be spied out for the oil monopoly, was reproduced in the treatment given Rice.

In the first South Improvement Company only half a dozen of the eastern trunk lines took part, but in this later application of its methods to Rice nearly all the railroads in the Mississippi Valley and on the Pacific coast took part. A deliberate and successful attempt was made to prevent Rice from doing business, except by accident and at a loss, in any town, county, or State in which these roads could, by their power of manipulating rates, determine the question of business existence.

Wealth Against Commonwealth quotes from the records to show that the things done for this purpose by the railroads and inuring to the interest of the oil monopoly were so relentless and destructive and so outside the law that the judges and other public representatives in their decisions and reports were startled out of their formal phraseology usual in such deliverances into expressions of unaffected indignation.

Referring to one of the arrangements by which the railroads doubled Rice's freights, and out of every 35 cents he paid them handed over 25 cents to the Standard Oil Company—in reproduction of the South Improvement Company and the American Transfer Company schemes—Wealth Against Commonwealth quotes Judge Baxter, of the Federal circuit court of Ohio, as calling it "abhorrent," "dangerous," "gross," "illegal," "an inexcusable abuse by a public trust," "unparalleled wrong," "discrimination so wanton and oppressive it could hardly have been accepted by an honest man, and a judge who would tolerate such a wrong or retain a receiver capable of perpetrating it ought to be impeached and degraded from his position."

A Senate select committee on interstate commerce, of the Forty-ninth Congress, is quoted as, after investigating the matter, characterizing the transaction as follows: "No comment is needed upon this most impudent and outrageous proposition"—by the oil company to the railroad.

Wealth Against Commonwealth shows that the Ohio supreme court, in deciding a case brought by the State of Ohio against certain railroads to forfeit their charters for their treatment of Rice, decided that these railroads had charged "discriminating rates," "strikingly excessive," which "tended to foster a monopoly," "actually excluded these competitors," "giving to the favored shippers absolute control."

It shows also that the supreme court of New York, in deciding another case in which Rice was a litigant with the oil trust, for his rights as a stockholder, said that the oil trust was "for the purpose of forming a combination whose object was to restrict production, control prices, and suppress competition," and the "trust agreement was therefore opposed to public policy and void."

Wealth Against Commonwealth calls public attention to the fact that a large part of the time and attention of the Interstate Commerce Commission was taken up for several years in hearing the complaints of Rice to it for redress, and that in a large proportion of the cases brought by him before the commission, it found his complaints justified, and ordered the roads to give him relief. The discriminations made by the railroads against Rice to the benefit of the oil monopoly were so great that even the self-contained Interstate Commerce Commission had to call them "vast discrepancies."

Wealth Against Commonwealth quotes the commission as stating in 1893 that these discriminations were made "on no principle. * * * Neither greater risks, greater expense, competition by water transportation, nor any fact or circumstance brought forward in defense, nor all combined, can account for these differences."

Again, speaking of the refusal of rates to Rice, the commission said: "Complainant did not succeed in obtaining rates. The denial of his right was plain and stands unexcused. * * * What reason there may have been for it"—the refusal of rates—"we do not know, but find they were not just or legal reasons."

The refusal to give Rice these rates was an "illegal refusal," the commission decided; "the obligation to give the rates * * * was plain and unquestionable."

The treatment of Rice by the railroads in another particular the commission adjudicated to have been "specially oppressive," and it "would have put success in the traffic out of the question."

Rice was misled and misinformed by the railroad officials, and Wealth Against Commonwealth quotes the Interstate Commerce Commission as noting this fact and pointing out the "remarkable thing" that so many of these "defendants," the railroads, "should make the same mistake, a mistake, too, that it was antecedently so improbable any of them would make. The Louisville and Nashville, the Cincinnati, New Orleans and Texas Pacific, the Newport News and Mississippi Valley, and the Illinois Central companies are all found giving out the same erroneous information, and no one of them can tell how or why it happened to be done, much less how so many could contemporaneously, in dealing with the same subject, fall into so strange an error. It is to be noted, too, that it is not a subordinate agent or servant who makes the mistake in any instance, but it is the man at the head of the traffic department, and whose knowledge on the subject any inquirer would have a right to assume must be accurate. In no case is the error excused."

Wealth Against Commonwealth quotes some of the expressions used by the Interstate Commerce Commission with regard to the complaints before it of discriminations by the railroads, as follows:

"Great differences in rates," "unjust discrimination," "international disregard of rights," "unexcused," "a vast discrepancy," "enormous," "illegal," "excessive," "extraordinary," "forbidden by the act to regulate commerce," "so obvious and

palpable a discrimination that no discussion of it is necessary," "wholly indefensible," "patent and provoking discriminations for which no rational excuse is suggested," "obnoxious," "disparity * * * absurd and inexcusable," "gross disproportions and inequalities," "long practiced," "the most unjust and injurious discrimination * * * and this discrimination inured mostly to the benefit of one powerful combination."

The deponent further states that in Wealth Against Commonwealth he has taken the verdicts, decisions, and findings of the courts and legislatures as the authoritative version of the facts, and that it has not been shown that he has either inaccurately quoted or omitted any important fact on the record, nor that he in any case has failed to give the reader information as to the nature of the defense, nor have his statements in any case gone beyond the record.

Deponent further says that his statement in Wealth Against Commonwealth that Mr. Archbold, when asked what was his part in the business of the Standard Oil Company, replied, "I am a clamorer for dividends; that is the only function I have," is a quotation from the testimony of Mr. Archbold before the New York assembly commission of 1879 investigating the railroads and their relations to the oil monopoly and other favored shippers.

Wealth Against Commonwealth quotes from the reports, decisions, and testimony of the Interstate Commerce Commission to show that the principal matters litigated before the commission have been discriminations made by the railroads to the profit of the oil monopoly; that the cases referred to cover the oil business on practically every road of any importance in the United States—in New England, the Middle States, the West, the South, the Pacific coast; on the great east and west trunk roads—the Pennsylvania, the Erie, the Baltimore and Ohio, the New York Central, and all their allied lines; on the transcontinental lines—the Union Pacific, the Central Pacific, the Southern Pacific; on the steamship and railroad association controlling the South and Southwest; and that from ocean to ocean, and from the Gulf of St. Lawrence to the Gulf of Mexico, wherever the American citizen seeks an opening in this industry, he finds it a "privilege" of a few and shut against the common people.

The witnesses on whose testimony are founded the decisions of the courts, legislative committees, and other findings which make the substance of Wealth Against Commonwealth have come forward all through the period between 1872 and 1894, the date of Wealth Against Commonwealth, and from every point of importance in the industry—New York, Pittsburg, Cleveland, Oil City, San Francisco, Titusville, Philadelphia, Marietta, New Orleans, Buffalo, Boston, Cincinnati, Louisville, Memphis; they have come from every province of the industry—the refineries, the oil fields, the pipe lines, the railroads, the wholesale and retail markets; bound together by no common tie of organization or partnership, they have, each and all, exactly the same story to tell. Wealth Against Commonwealth gives as the substance of their complaint that one selected knot of men, members of one organization, were given unlawfully the control of the railroad highways to the exclusion and ruin of the people, and quotes to sustain it the evidence taken by many official investigations and the decisions of substantially every court to which the facts have been submitted.

Deponent further points out that the testimony taken by the Interstate Commerce Commission in Boston, March 12, 1898, seems to show that one of the most important railroads in New England, the Boston and Albany, 26 years after the South Improvement Company scheme dies "in name," was "underbilling" cars of the oil trust to such an extent that in some cases half of such shipments within Massachusetts went free.

Lastly, the evidence taken in the investigation in the early part of 1900 by the Canadian parliamentary committee, if correctly reported, seems to indicate that the same South Improvement Company system, substantially, has been extended by the Canadian railroads to the oil trust, and that these railroads have been putting the "price"—of transportation—" down for the favored customers and up for the others," just as the supreme court of Ohio found the railroads of that State doing for the same organization in 1885.

The deponent further says, in answer to the insinuation as to his share in the alleged blackmailing operations of Rice, that he feels it to be unnecessary to notice anything of which the insinuator himself is compelled to state, "I am unable to say." And he challenges the production of an iota of fact justifying even the utterance of the insinuation.

The deponent further points out that the method by which the members of the oil monopoly meet the decisions, verdicts, and findings on which Wealth Against Commonwealth is based is to treat all those utterances of the constituted authorities, judicial and legislative, as nullities, and insist that the public shall receive from themselves, now and out of court, years after the events in question, without any of the

protective procedure of trial and investigation, entirely new versions of the matters concerned, altogether in conflict with the findings reached by these tribunals at great expense of the people's time and money. Though in every case they had a full and fair hearing, they refuse to accept like ordinary citizens the findings of the courts and legislatures and deny the right of the people to accept as authentic any official records which contain truths disagreeable to themselves.

HENRY DEMAREST LLOYD.

STATE OF RHODE ISLAND, *County of Newport:*

Subscribed and sworn to before me this 4th day of August, 1900.

[SEAL.] F. R. BROWNELL,
Notary Public for Rhode Island.

AFFIDAVIT OF CHARLES B. MATHEWS,

Producer and Refiner of Petroleum, Buffalo, N. Y.

STATE OF NEW YORK,
County of Erie, City of Buffalo, ss:

CHARLES B. MATHEWS, being duly sworn, says that he is 55 years of age and a resident of the city of Buffalo, N. Y., and that he has been for nearly 30 years engaged in the production, refining, and dealing in crude petroleum and its products; and deponent further saith:

In reading the testimony of J. D. Archbold, on page 554 of your committee's printed record[1] of testimony relative to the Standard Oil combination, I find such errors and misstatements regarding myself and associates, "lay and professional," that I beg leave to submit the "simple facts" in their true light. In the year 1880 J. S. Wilson, A. A. Miller, and myself were employed by the Vacuum Oil Company. None of us being engaged for any specified time, we were at liberty to engage in any occupation we saw fit. I had much to do in the management of their salt property and their few oil leases. These properties were sold soon after the Standard Oil Company bought three-fourths of the stock of the Vacuum Oil Company and began to conduct its business. J. D. Archbold, H. H. Rogers, and A. M. McGregor, being its ruling force, directed its business from the Standard Oil offices in New York. In the testimony of F. N. Beach, on page 900 of the report of the manufacturers' Congressional committee, 1888, we find that the district attorney, in the prosecution of the cause of the people, subpœnaed certain books of record, and Mr. Beach, secretary of the Vacuum Oil Company, said: "I was also subpœnaed to produce here the record books containing the proceedings of the board of directors of the company, and I now produce the same. I know John D. Archbold, and I know his handwriting." The district attorney then calls the attention of the witnesses to the meeting of the board of directors of the Vacuum Oil Company held January 18, 1881.

Witness says these meetings are in the handwriting of John D. Archbold.

The district attorney then read from the meeting of January 18, 1881:

"Meeting of the directors of the Vacuum Oil Company, held January 18, 1881.

"Meeting called to order by Charles M. Everest, vice-president. Present: Henry H. Rogers, Charles M. Everest, and John D. Archbold.

"On motion, John D. Archbold was appointed secretary.

"Waiver of notice by A. M. McGregor and H. B. Everest presented to the secretary.

"H. H. Rogers moved that a dividend of 40 per cent, payable as of January 1, and 10 per cent, payable as of January 1, be paid at once from the earnings of the company.

"Carried.

"On motion, adjourned.

"(Signed) JOHN D. ARCHBOLD, *Secretary pro tem.*"

The Everests, father and son, who had built up the business of the Vacuum Oil Company as an independent anti-monopoly company, now held the offices of president and vice-president simply as figureheads to maintain, for trade purposes, the pretense that they were not a Standard company. Published statements in the Rochester papers appeared denying that they had sold to the Standard Oil Company, and seemed to satisfy their consciences by saying to those who knew the truth that it

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[1] See Vol. I, Report of the Industrial Commission, Part II, page 554.

was the Acme Oil Company they had made the deal with, whereas all the Acme Oil Company stock belonged to the Standard. The Standard management of the Vacuum Oil Company was distasteful to those accustomed to the service of the independent original Vacuum Oil Company, and they expected things might soon occur, which have since taken place—that their principal refining and manufacturing would be transferred from the Vacuum to other Standard plants and their selling agents dismissed. The Standard people, under various names, corporations, and contracts, controlled the manufacture and sale of nearly all the petroleum lubricating oils of the country. Their monopoly was so complete that Cylinder stocks then sold for 20 to 25 cents per gallon, when crude oil was 80 cents per barrel, that now sell under competition for 8 cents per gallon. With crude oil worth $1.25 per barrel, the best refined oil sold at Buffalo and other large eastern cities at 14 cents per gallon, that now sells at 8 cents per gallon. We also knew very well that to use the Vacuum and other processes we desired to employ was no infringement on any valid patents, and subsequent litigation in the Federal courts fully proved the groundless nature of their patent claims, and the evident object of the Standard people in bringing suits was for the purpose of involving us in expensive and harassing litigation, eventually resulting in court decrees in our favor. The claim that we used some of their tools in preparing our machinery is not a serious one. If anyone in my employ used their chalk line or pocket rule or other tool, I was not aware of it, and trust the Standard Trust will outlive its grief and loss on that score. From 1880 to 1885 the Standard people brought many suits against independent manufacturers of oils, petrolatum, and greases. These suits were brought in the name of the Chesseborough Manufacturing Company, or Vacuum Oil Company, or some company recently acquired by the Standard, and I believe none of these suits were ever successful, except in compelling the defendants to incur large expense in gathering evidence to defeat plaintiff's claims. The Buffalo Lubricating Oil Company was the name of my company, and the stock was soon subscribed for by those who had faith in the business of refining and selling oil. No business undertaking could be more legitimate, and the margin of profit between the cost of the crude and the selling price of the manufactured product was reason enough to enlist necessary capital. Mr. Archbold, in his statement before your commission, denies that the Standard Oil companies enjoyed discriminations and freight rebates not given to their competitors. If the Vacuum Oil Company, under the management of Messrs. Archbold, Rogers, and McGregor, could pay the dividend of 40 per cent in a few months in 1881, as shown by the above record of their directors' meeting, and the Standard combine stock now sells for $800 per share, I must insist my company had a perfect right to expect good profits from manufacturing, transporting, and selling oil, or the Standard profits were and are illegitimate and fraudulent. We fully established our rights in the courts to engage in the business as we did and when we did. Where should we begin? Buffalo was decided upon as the best location. Here the Atlas Oil Company was constructing a large oil refinery and endeavoring to lay pipe line from the Bradford oil field to Buffalo. The Atlas people assured us of their ability and determination to pipe oil to Buffalo and refine it there without the consent of the Standard Oil Trust. The Atlas Oil Company promised me that they would give my company a 5-year contract to furnish crude oil at our works, charging us 10 cents per barrel for piping it to us, and they would give us a contract as soon as the line was completed, and the "Green Line," running tank cars on Buffalo, New York and Philadelphia Railroad, offered to bring us oil at the same price. In a few months the Standard Trust got control of the Atlas pipe line and refinery, and advanced at once with the railroads carrying charges on oil from 10 to 25 cents per barrel, and subsequently to 35 cents per barrel. The railroads also advanced all rates on oil going out of Buffalo, while rates on grain, coal, lumber, and other commodities were generally reduced. The first still of oil run at our works was run under such extraordinary heat and pressure, with safety valve fastened down, that the gases were blown off at explosive pressure and the oil ruined and considerable property was destroyed, and we narrowly escaped the destruction of the entire works, with many fatalities. Our superintendent fled under the most suspicious circumstances and was secreted by and placed on the pay roll of the Vacuum Oil Company, they maintaining him mostly in idleness; secretly sent him to California, where he remained nearly a year. After abundance of evidence of the power and cruelty of the Standard-Vacuum conspiracy came to hand my company brought suit against the Vacuum Oil Company and its officers, asking damages in $100,000. This suit was brought in 1883. The defendants exhausted all their resources for delays, and finally came to trial March, 1885. The rulings of the trial justice were so narrow and so evidently against the plaintiff that the judge preferred to grant a new trial to having the case go up on appeal, and a new trial was granted nearly a year after our verdict of $20,000 was

given by the jury. Thereupon we brought a new conspiracy action, with broader allegations, and asking damages in $250,000.

Our various suits with the Standard parties had taught us the great power of the Standard attorneys in securing long delays in forcing a case in which they were interested to trial on its merits, and as the five-year limitation had almost run, the district attorney felt it his duty to indict them in the criminal court. About this time, however, my company brought an action against the Atlas Oil Company, alleging damages and fraud to the amount of $20,000. We alleged that this company, having passed into the hands of the Standard, supplied us with inferior crude oil mixed with distillate and slops from the Atlas works, and that the same was sold us as pure crude oil. At a term of Erie County court of sessions in February, 1886, an indictment was found by the grand jury, charging Hiram B. Everest, Charles M. Everest, John D. Archbold, Henry H. Rogers, and Ambrose McGregor of the crime of conspiracy and committed as follows: Copy of this indictment is found in the manufacturers' Congressional committee's report of 1888, beginning on page 801. The defendants are accused of conspiracy to destroy the business of my company by corrupting its servants, by bringing vexatious suits at law for the purpose of harassing the company, by blowing up our works, and destroying a quantity of oil. The Standard suspects fought off the day of their criminal trial with the same success as they had done in the civil courts. Meanwhile their attorneys and detectives were busy with plans to hire the State's most material witnesses to go to a foreign country. Burdened with the expenses of the civil action and weary with delays, I made a final appeal to the district attorney urging immediate trial of the people's cause, and was told no judge could be got to hear the criminal case in the spring of 1887. I told him I should appeal to the governor to assign a judge for that purpose if there was no judge in our district willing to take it who was not disqualified. It was soon arranged for Judge Daniels to try the action. But Judge Daniels had tried and sentenced Jarvis Lord, of the famous canal ring, and so the Standard defendants were taken unawares and were not to be tried just then or by Judge Daniels. Affidavits of physical disability of Mr. Archbold and others put the trial off to a time Justice Daniels must hold court in New York, and it was then ascertained that Judge Haight would try the suspects. The district attorney was not pleased with the substitution of Judge Haight for Judge Daniels. I urged the district attorney to go on with the trial, as we could at least prove the allegations of the indictment and make a record of the testimony, whatever judge tried the case, and the State's witnesses would be relieved from the pressure of the Standard's spies and detectives. It was shown at the criminal conspiracy trial that one Lane Borell, an employee of my company, was in the secret service of the Standard interests and that they paid him a higher daily wage for making daily reports of our sales and customers and business than we paid him for work at the refinery. These reports were mailed from Borell direct to S. C. T. Dodd, Standard attorney. Borell received his pay indirectly through Mr. Dodd, and it was shown by the books of account kept by the Vacuum Oil Company that Miller received some $4,000 for a year of running and hiding from my company while he was under contract from us for the same period at $100 per month for service as superintendent at our works. The district attorney also put in evidence the testimony of J. D. Archbold, given in the civil action tried in 1885, as follows:

"Q. During the year 1881 and the year 1882, were you connected in any way with the Standard Oil Company; and if so, what?—A. I was.

"Q. In what capacity or way?—A. I was one of the executive board of the Standard Oil Company.

"Q. Mr. Archbold, you made the contract, did you not, with reference to the transfer of the 75 shares of the Vacuum Oil Company's stock by the Messrs. Everest?—A. I bought the 75 shares; yes, sir.

"Q. Was that transaction a verbal transaction or a transaction reduced to writing?—A. There was a written contract following the transaction as agreed.

"Q. Can you tell to whom the contract was delivered when it was completed?—A. It was delivered to the counsel of the purchasers whom I represented.

"Q. May I inquire who the counsel of the purchasers to whom it was delivered was?—A. It was George F. Chester; my impression is that the contract is on file at the office of the Standard Oil Company in Cleveland; I am not sure about that.

"Q. Let me inquire who George F. Chester was and where he lives?—A. He was at that time the counsel for the Standard Oil Company, and the Everest interests that were affiliated with it.

"Q. How long is it since you have seen the contract?—A. I don't think I have seen it since the time of its execution.

"Q. You never had it in your possession since?—A. No, sir.

"Q. Where would such papers be kept in the usual course of your business?—A. We had a record of the contract in our office in New York, it was in a large contract

book which we kept for the purpose of recording contracts, but the paper itself I am not sure about; it may have been kept in New York, and it may have gone to Cleveland; I am not sure about that.

"Q. Mr. Archbold, whom did you represent in that transaction?—A. I represented the shareholders of the Standard Oil Company.

"Q. After this purchase was made, did you continue to represent the purchasers in the management of the affairs of the Vacuum Oil Company?—A. I did.

"Q. By virtue of power delegated to you, or by virtue of being a member of the board of directors or trustees of the Vacuum?—A. By virtue of power delegated to me.

"Q. By the purchasers?—A. By the purchasers."

As further showing what control the Vacuum Company was under, I asked C. M. Everest for an increase of salary if I remained at Rochester, and he referred me to Mr. Archbold as the one to determine that, and as things grew more unsatisfactory, I gave them notice that I should quit in a short time. The State's attorney had evidently made out a convincing case against the defendants on the criminal trial. When he rested the case Judge Haight asked the jury to stand up, and he instructed them to acquit Archbold, Rogers, and McGregor, and continue the trial concerning H. B. and C. M. Everest. Some of the jurymen afterwards told me that this act of the judge greatly embarrassed their subsequent action, as the very ones who had the leading motive in the conspiracy to destroy competition in the oil business were taken out of the case, while their agents and tools were left for the jury to deliberate about. The judge had in his hands the sworn answer of J. D. Archbold, H. H. Rogers, and McGregor in the $250,000 tort action in which they admitted that they advised their co-defendants, Hiram B. Everest and Charles Everest, also directors of the Vacuum Oil Company, to reemploy Miller at increased wages, and advised bringing actions on alleged infringement of their patents. This sworn answer in the civil action was withheld from the jury in the criminal trial by Judge Haight as not being permissible to use the sworn answer in civil action to convict the one making it of crime, and of course the Standard officials had so often refused to explain their doings before courts and committees lest their evidence be used to convict them of crime, that they were lucky in escaping at the very moment when their conviction seemed certain. And now comes Mr. Archbold to your committee with the affidavits of 6 of the panel of jurymen that Judge Haight delivered him from. These affidavits you will notice were taken one year after the trial. Anyone at all acquainted with the situation will believe it possible that even 6 of the jurymen, or, in fact, any of them, would have signed any such affidavits when the trial closed and the jury was together and the facts of the trial fresh in remembrance. But taking them one by one under the pressure and encouragement of adroit lawyers, 6 of them yielded. When these affidavits were first presented District Attorney Quniby offered to prove that money was offered to procure similar affidavits from other jurymen of the panel. Of course the Standard defendants got all the affidavits they possibly could of that kind. The affidavits read as follows:

STATE OF NEW YORK, *County of Erie, ss:*

"Nicholas Demerly, of the town of Boston, John J. Kinney, Bernard Schlebus, R. B. Vusan, Geo. W. Havens, John Ueblueher, being severally duly sworn, each for himself, deposes and says: That he was one of the jury that served on the trial of H. B. Everest and C. M. Everest for conspiracy in the Erie County oyer and terminer in May, 1887; that the said jury rendered a general verdict of guilty against both of said defendants. And deponent further says that, as he verily believes, it was not the intention of said jury, in rendering said general verdict, to pronounce the defendants guilty of an attempt or conspiracy to blow up or burn the works of the Buffalo Lubricating Oil Company, Limited, but the conviction was, in the mind of deponent, based upon the enticement of the witness, Miller, from the employ of said oil company, and he believes that the other members of the jury convicted the prisoners on the same ground. And deponent further says that he believes the ends of the justice will be met in this case by the imposition of a fine upon the defendants, and he therefore begs to recommend to the court that the sentence of said defendants be that they pay a fine only and that they be not sentenced to imprisonment."

This affidavit was verified by the men whose names appear in the above copy of the affidavit. The maker of this affidavit avers that he did not vote for conviction of the Everests for blowing or burning up the works of the Buffalo Lubricating Oil Company, but for the enticement of the witness, Miller, from the employ of said company.

Now, in the sworn answer of the defendants, acquitted by order of Judge Haight, they admit that they advised the hiring of Miller from my company.

It must be evident to anyone reading the official record of the conspiracy trial as given in the report of the Manufacturers' Congressional Committee's Report, 1888, that the charges of the indictment were fully proven, and that the 3 big Standard officials would have been convicted with the Everests if they could have gone to the jury at the close of the trial in 1887. The Everests went into this trial with the advantage of good reputations as honorable business men. Standard officials have been repeatedly indicted for violations of law, and their bad reputation is so well known that Mr. Archbold and other Standard officials and attorneys choose to refer to the "ignorance and prejudice" of the people against big corporations as the cause of the conviction of some of the conspirators at the Buffalo trial. I do not wish to review the Buffalo trial, but no one knows better than Mr. Archbold and his associates the truth of the old saw that—

"No man e'er felt the halter draw,
"With good opinion of the law.

The Standard defendants had been unanimously decided against by two grand juries and two petit juries in Buffalo, and they all found abundant evidence of the Standard conspiracy. If untrue or misleading testimony was given by anyone at the conspiracy trial, why did all the defendants choose to remain silent and give no word of testimony in their own behalf, and then go on forever abusing witnesses and attorneys for telling what the conspirators dare not dispute from the witness stand? The Standard conspiracy did not end with the conviction of the Everests and the escape of their associates in crime from immediate and full punishment under the law. My company was harassed in shipping its oil to and from the refinery until we felt obliged to associate with others in the oil field in building tank cars, tanks, etc. We found discriminations in freights under the interstate commerce law were as harmful, if more secret, than before, and finally with the failure of the Excelsior of Cleveland and the Keystone refinery of Oil City, we were so involved that the Lubricating Oil Company was thrown into a receiver's hands. My company had trusted for the benefit of creditors and stockholders, the various causes of action against the Standard conspirators. The judgment creditor obtaining the first judgment against my company was controlled by the Standard people and got a receiver appointed that acted in the Standard interest. The Standard Trust then made an offer of $85,000 to the receiver for our refinery in Buffalo and the cancellation of all our suits against the Standard. The hearing of this proposition of the Standard's was brought before Judge Haight by Receiver Norton. Although all the officers of my company urged him not to take it before Judge Haight, to him it went; and was heard by Judge Haight in February, 1888. At the hearing on this motion all the stockholders of my company and the creditors asked to have the Standard's proposition refused. But Judge Haight ordered the receiver to accept their proposition so that the stockholders and creditors were denied a trial by jury of their causes in action on a demand by the Standard defendants that we should accept their proposition. Judge Haight said at this hearing that the Standard defendants could not be twice punished for the same offense. Hence consequential and punitive damages might be small if they were punished in criminal court, so he ordered the suit settled on the Standard's terms and then when he came to sentence them the following May he fined them $250 each. So that when he had let three of the five defendants out at the criminal trial and settled the civil actions on the offer of the Standard, he then proceeded to fine the millionaire defendants the trifling sum of $250 without imprisonment, lest they be twice punished for the same conspiracy to blow up the works of the competitive refinery. The Standard people had large interests in Buffalo in the way of natural gas, illuminating gas, electric-lighting plants, etc., and had a large part of the public press and many attorneys retained, and their retained newspapers and attorneys were worked during and after the criminal trial to express a public opinion favorable to the Standard. But the Buffalo Morning Express was the sturdy defender of the cause of the people and the good name of the intrepid public prosecutor.

Mr. Archbold well knows that Standard officials have been repeatedly sheltered by the governors of this and other States when they were under indictment for violations of law, two governors of the State of New York having refused to extradite them on the requisitions of the governors of other States, and now Mr. Archbold complains before your committee. The Buffalo defendants were convicted as charged in the indictment of the conspiracy to blow up the works of a competing refinery. The charges in this case were fully proven, as the charges of freight discriminations ruining the business of George Rice were proven. Hence, Mr. Lloyd in his book, Wealth Against Commonwealth, takes the court records for facts in history instead of the brassy denials of the guilty parties.

Large and frequent claims have been made by Standard solicitors and stockholders about their great skill and economies in refining and transporting oil. The independents laid the first pipe lines for transporting oil for short, as well as long distances. The Tide Water Pipe Line, the first long-distance line, was harassed without ceasing by the Standard until compelled to surrender its independence. Prominent Standard officials declared 10 years ago that it was not practical to pump refined oil long distances as the oil would be discolored, and the Standard fought in every conceivable way the laying of the United States Pipe Line, which the independent people were laying for that purpose (as the records of your commission fully show).

On page 306 of the report of the Congressional committee's report on manufactures, 1888, H. M. Flagler, of the Standard, says "that refined oil does not come from Lima oil at all. The Lima oil can not be refined successfully." On page 77 of the same report I. E. Dean (independent) says they are now able to refine Ohio oil perfectly, so that the smell is taken out entirely. At the time Messrs. Flagler and Dean gave their testimony in 1888, the Standard was rapidly acquiring oil-producing territory in Ohio and Indiana, and either did not know that this class of oil had been successfully refined in Canada for 25 years, and now in the United States, or they were systematically engaged in an effort to beat down the price of Ohio oil to obtain control of the production. From my experience as an oil producer and refiner for about 30 years, I have found the independents more progressive and scientific and practical in the art of refining oils than the Standard people have been, and the small per cent of refining of oil now done by them is due almost entirely to freight discriminations and rebates in favor of the Standard combine. The remedy for this evil, that grows with the growth of railroad consolidations and lake and ocean transportation companies, I believe must come through the public ownership of railroads, so that they can be used by all people on equal and just terms, and that the people can not be protected in the enjoyment of industrial liberty so long as the roads remain in private hands.

CHARLES B. MATTHEWS.

Subscribed and sworn to before me this 16th day of April, 1901.

E. N. HEATH,
Commissioner of Deeds in and for the City of Buffalo, N. Y.

AFFIDAVIT OF M. L. LOCKWOOD,

Producer of petroleum, Zelienople, Pa.

Hon. THOMAS W. PHILLIPS,
Vice Chairman, Industrial Commission.

HONORABLE SIR: I have been reminded by a letter from a gentleman of national reputation that J. D. Archbold had made a personal attack on me in his testimony before your honorable body, delivered by him September 8, 1899, and that it was my duty, in the interests of truth, not to allow your permanent report to be printed without first answering, as such final report would become historic, and be placed upon the shelves of the different libraries and institutions of learning throughout the land.

We who have kept watch of Archbold before investigating committees for nearly a quarter of a century have learned to pay very little attention to what he says. But this letter from a gentleman of national repute reminds me that the public is not now, and that future generations will not be, so well posted. And I therefore ask that this sworn answer be ingrafted into the testimony of your report, as I understand that you have adopted the policy of allowing witnesses who have had their testimony attacked to answer by sworn statement. And I have faith that you will extend to me the same courtesy.

I will not burden your pages by answering unimportant attacks, for you will note that Mr. Archbold denies everything and anything, not only of my testimony but the testimony of other witnesses not satisfactory to the Standard Oil Company's interests. So I will come at once to page 559 of his testimony in your preliminary report.[1]

He says: "Mr. Lockwood makes an absurd statement, intended to convey the impression that at the same time refined oil is sold to Germany at 2 cents a gallon, the people of Texas and Arkansas are forced to pay 25 cents. There is, of course,

[1] See Vol. I, Report of the Industrial Commission, Part II, p. 559.

not a word of truth in any such statement, nor does he pretend to furnish, nor can he offer, any evidence in support of it. It is the sort of a statement that a silly demagogue would make in order to create sentiment on this question."

My testimony on this point was this, and will be found on page 394 of your preliminary report:[1]

"I take no stock in the idea that inordinately great capital produces cheaply; where monopoly begins, there improvement ends; it is competition that drives men to economy, improvement, and invention; it is monopoly that demands great profit. While competition was putting refined oil into tank steamers for the competitive markets of Germany at 2 cents a gallon, monopoly, backed by railway favoritism, was forcing the people of Texas and Arkansas to pay 25 cents a gallon for the oil that they burned in their lamps."

Archbold says, "There is, of course, not a word of truth in any such statement." I again reassert its truth, and here present the sworn evidence and statement from the export books of the independent refiners of America to prove it.

On page 8, independent refiners export books, date of March 9, 1894, the refined oil sold at this date for export was 800,000 gallons. This oil, after commission and other expenses off, netted the independent refiners 2.7 cents per gallon. This oil was shipped to the competitive markets of Germany.

On page 11, March 29, 1894, oil sold this day for export was 3,000,000 gallons. This oil, after commission and other expenses off, netted the refiners 2.1 cents per gallon. This oil was shipped to the competitive markets of Germany.

Page 12, April 18, 1894, refined oil sold this date for export was 1,500,000 gallons. This oil, after the commission and other expenses off, netted the independent refiners 2.1 cents per gallon. This oil was shipped to the competitive markets of Germany.

On page 13, April 18, 1894, refined oil sold this date for export was 1,250,000 gallons. This oil, after the commission and other expenses off, netted the independent refiners 0.210 cents per gallon. This oil was sold to the competitive markets of Germany.

On page 18, June 9, 1894, refined oil sold this date for export was 1,500,000 gallons. This oil, after the commission and other expenses off, netted the independent refiners 2.17825 cents per gallon. This oil was shipped to the competitive markets of Germany.

On page 22, July 20, 1894, refined oil sold this date for export was 1,500,000 gallons. This oil, after commission and other expenses off, netted the independent refiners 2.35 cents per gallon. This oil was shipped to the competitive markets of Germany.

On page 25, September 20, 1894, refined oil sold this date for export was 1,500,000 gallons. This oil, after commission and other expenses off, netted the independent refiners 1.9275 cents per gallon. This oil was shipped to the competitive markets of Germany.

On page 26, October 17, 1894, refined oil sold this date for export was 1,500,000 gallons. This oil, after commission and other expenses off, netted the independent refiners 2.0275 cents per gallon. This oil was shipped to the competitive markets of Germany.

The commission will note that, in spite of Mr. Archbold's denial, my testimony is more than made good by this statement of the books of the independent refiners of America. And if the commission desires any furthur sworn evidence on this point, I am ready to produce it.

Even at this late date, the people of Texas are paying $1 for a 5-gallon can of oil. And for fear that Mr. Archbold will deny this, I will present the commission with the sworn testimony of the citizens of Texas to prove this statement.

Here see the affidavits:

Know all men by these presents, that the undersigned, as a citizen of the State of Texas, United States of America, and a consumer of petroleum oil, has been obliged within the last year to pay $1 for a 5-gallon can of oil, and that is the usual price here for that amount of oil at this time.

Witness my hand and seal this 23d day of April, 1901.

J. P. BUCKENDORFER.

Know all men by these presents, that personally brought before me, D. W. Solliday, a notary public in and for Orange County, of the State of Texas, J. P. Buckendorfer, who being duly sworn, deposes and says that the statement set forth in the above paper is true, so help him God at the great day.

[SEAL.]

D. W. SOLLIDAY,
Notary Public, in and for Orange County, Tex.

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[1] See Vol. I, Report of the Industrial Commission, Part II, p. 394.

Know all men by these presents, that the undersigned, as a citizen of the State of Texas, United States of America, and a consumer of petroleum oil, has been obliged within the last year to pay $1.00 for a 5-gallon can of oil, and that is the usual price here for that amount of oil at this time.

Witness my hand and seal this 23d day of April, 1901.

M. STEPHENSON.

Know all men by these presents, that personally brought before me, D. W. Solliday, a notary public in and for Orange County, of the State of Texas, M. Stephenson, who being duly sworn, deposes and says that the statement set forth in the above paper is true, so help him God at the great day.

D. W. SOLLIDAY,
Notary Public, in and for Orange County, Tex.

And now, for the purpose of showing the commission what the people of other States have been paying for their oil where monopoly controls, I desire to submit the following sworn statement:

Know all men by these presents, that the undersigned, now a citizen of Butler County, Pa., but from 1885 to 1890 was a citizen of Orange County, Fla, that while there I was a consumer of petroleum oil and paid while there not less than 25 cents a gallon for the oil that I burned in my lamps, and that was the usual retail price for oil at that time in that State.

Witness my hand and seal this 9th day of May, 1901.

STEPHEN LOCKWOOD.

Know all men by these presents, that personally before me, Paul W. Miller, a commissioner of deeds for the State of New Jersey, in Pennsylvania, appeared Stephen Lockwood, who being duly sworn, deposes and says that the statement set forth in the above paper is true, so help him God at the great day.

[SEAL.] PAUL W. MILLER.
A Commissioner of Deeds for the State of New Jersey, in Pennsylvania.

And yet in spite of all these facts, as proven by these statements and sworn affidavits, and regardless of the penalty of perjury, and with customary audacity, Archbold brushes aside my testimony by saying, "There is, of course, not a word of truth in any such statement."

On page 560 of your preliminary report[1] Archbold presents a portion of my testimony, as follows:

"Q. (By Mr. KENNEDY.) Mr. Lockwood, can you state approximately what per cent of the refined oil of this country is turned out by the independent companies?—A. We calculate that they are handling about 4 per cent.

"Q. Only 4 per cent?—A. Only 4 per cent; you know this is an immense business.

"Q. (By Mr. PHILLIPS.) That is, taking the Ohio oil?—A. Taking the Ohio oil and the Pennsylvania oil and all these different grades of oil."

At the time I was called to testify before your honorable body the rumors were already afloat that the Cudahys and Manhattan oil companies, operating principally in Ohio and Indiana oils, with their pipe lines and refineries, were being absorbed by the Standard Oil Company, which rumors afterwards proved to be true, and the absorption was done through the route of an English syndicate, and it was from this standpoint that my estimates before you were made.

Mr. Archbold proceeds (page 560 of your preliminary report[1]): "I will now present a statement showing the aggregate business done by the Standard Oil Company and by others in the United States for the 5 years 1894–1898, inclusive, in which it appears that the aggregate percentage of all business in petroleum and its products done by the Standard Oil Company was 82.3 per cent for this period of 5 years as against competitors' 17.7 per cent.

"Q. (By Mr. SMYTH.) That includes all by-products?—A. Petroleum and all its products."

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[1] See Vol. I, Report of the Industrial Commission, Part II, page 560.

Here are Archbold's figures:

Business of Standard Oil Company and other refiners, years 1894–1898, inclusive.

[Barrels of 50 gallons; all products, domestic trades.]

Year.	Standard Oil Co.		Others.		Total barrels.
	Barrels.	Per cent of total.	Barrels.	Per cent of total.	
1894	18,118,933	81.4	4,145,232	18.6	22,264,165
1895	18,348,051	81.8	4,084,720	18.2	22,432,771
1896	16,341,161	82.1	3,569,719	17.9	19,910,880
1897	18,141,479	82.4	3,876,706	17.6	22,018,185
1898	19,999,939	83.7	3,914,999	16.3	23,914,938
Total	90,949,563	82.3	19,591,376	17.7	110,540,939

The commission will note that by ingeniously presenting this data for years preceding—now mark, preceding this absorption of the Cudahys and Manhattan refineries—that he made these figures do his falsifying for him, and apparently proved to you that my estimates were false.

And more and worse, on page 541 of his testimony,[1] he further convicts himself of purposely deceiving and misleading the commission. He there gives what purports to be the independent refineries operating at that time. In that list, in addition to the above absorbed refineries and pipe lines, and the 26 refineries in that list which Scofield, Shurmer & Teagle, of Cleveland, declare to be shut down and gone out of the business, he gives the Tide Water Oil Company, with its 43,150 barrels of still-refining capacity, as independent and outside of the Standard Oil Company's combination.

The Tide Water Company was the first concern that ever started in unhandicapped by railway discrimination and upon anything like even terms in transportation facilities in competition with the Standard Oil Company, their pipe lines and railroad connections guaranteeing them equal transportation charges with the Standard Oil people, and since they whipped the Standard Oil Company into giving them a large percentage of the oil business they have become as much a part of the Standard Oil conspiracy against the producers and consumers of oil as Archbold himself. Everybody who is posted knows this, and yet Archbold has the impudence and audacity to impose on your honorable body this kind of testimony with the purpose of deceiving the Commission and the country in an attempt to prove that my estimates were false.

He further testifies (preliminary report, p. 560):

"Mr. Lockwood testifies that by manipulation of price of Ohio crude oil, in conjunction with the railways, we succeeded in getting the price down to an abnormally low figure, and then bought substantially the whole Ohio producing field."

And here again Mr. Archbold uses figures to deceive and mislead the commission and the country.

For, mark you, it was not until the latter part of 1886 that the withering force of railway discrimination was applied to the man who had developed the Lima oil field, and by July of 1887, after that withering force had been applied, they had forced the price of crude Lima oil down to 15 cents a barrel. At that time, 1887, the Standard Oil Company owned practically nothing in production in the Lima oil field. Think of what the financial slaughter must have been to force over 55 per cent of the producers to transfer their property to the Standard Oil people in a little more than 2 years. In some places nearly whole townships were sacrificed—transferred to the Standard. I know all about it. I was one of the producers who was obliged to sacrifice his property there.

Think of a financial condition brought about by monopolistic control of the price of wheat, for instance, among the farmers of a state that would force them in 2 short years, in order to save themselves from the sheriff, to give up to such monopoly over 55 per cent of their farms. Would it not be a pardonable extravagance for some farmer who happened to be in the thickest of it to testify:[2]

"They held it at 15 cents a barrel in Ohio until they broke the hearts of the producers, and then bought nearly the entire country upon that basis."

[1] See Vol. I, Report of the Industrial Commission, Part II, p. 541.
[2] See Vol. I, Report of the Industrial Commission, Part II, p. 403.

And here Mr. Archbold could sit cooly down in his office at 26 Broadway, surrounded by his high-priced lawyers and statisticians, and compile this table of figures to prove what he wanted.

Here are Archbold's figures,[1] expressed in barrels of 42 gallons.

Year.	Pennsylvania oil.			Lima oil.			Grand total.		
	Total production.	Standard Oil Co. production.	Standard oil, per cent of production.	Total production.	Standard Oil Co. production.	Standard oil, per cent of total.	Pennsylvania and Lima oil production.	Standard Oil Co. production.	Standard oil, per cent of total.
1890.....	30,065,867	2,618,637	8.71	15,014,882	8,400,568	55.95	45,080,749	11,019,205	24.44
1891.....	35,742,127	4,913,775	13.74	17,381,923	9,319,156	53.61	53,124,050	14,232,931	26.79
1892.....	33,332,306	4,338,822	13.02	16,685,193	7,843,324	47.01	50,017,499	12,182,146	24.36
1893.....	31,256,283	6,705,276	21.45	17,823,255	7,260,899	40.74	49,079,538	13,966,175	28.46
1894.....	30,696,716	7,210,345	23.49	18,575,603	6,690,951	36.02	49,272,319	13,901,296	28.21
1895.....	30,891,868	9,119,920	29.52	21,719,250	6,808,876	31.35	52,611,118	15,928,796	30.28
1896.....	33,908,041	9,380,654	27.66	25,222,091	8,031,793	31.84	59,130,132	17,412,447	29.45
1897.....	35,170,367	9,787,353	27.83	22,793,033	7,497,349	32.89	57,963,400	17,284,702	29.82
1898.....	31,645,151	11,248,443	35.55	20,266,328	7,220,606	35.63	51,911,479	18,469,049	35.58
Total.	292,708,726	65,323,225	22.32	175,481,558	69,073,522	39.36	468,190,284	134,396,747	28.70

The commission will especially note that these statistics given by Archbold did not begin until the year 1890, after the financial slaughter was over in Ohio and the price of Lima oil had gone up. But they seem to prove to his satisfaction that the situation was not as bad as I had pictured it, he selecting his figures from such dates as to best deceive the commission and the country. Why did he not give his statistics for the years 1887, 1888, 1889? The answer is "because they would have proved too much," and exposed the awful wreckage which in a little over 2 years enabled the Standard Oil people to get possession of over 55 per cent of the oil production of the Lima oil field.

His figures, however, are of service, for they prove that just in proportion as the producer is able to get a fair price for his product, that he is more than able to hold his own with the Standard Oil Company in the acquisition of property, for in 1895, when Lima oil went to $1.27 a barrel, the producers of Lima oil had been able to reduce the Standard Oil Company's percentage of production to less than 32 per cent.

Mr. Archbold further testifies, on page 561, that "Mr. Lockwood's statement * * * is so ridiculous as not to call for any answer." He takes exception to my attack upon the courts and upon the corruption of our public men by railroads and corporate interests, and then he takes the commission into his confidence and says: "I think you will agree with me that we must conclude that the fool killer has been very remiss in his duty in the vicinity of Zelienople, Pa."

And now, in conclusion, I desire to submit that when Mr. Archbold ruthlessly denies all facts and systematically and cunningly compiles figures and falsifies, as per his classification of the Tide Water Oil Company, that the commission must agree with the country that the knave killer has not done his full duty in the vicinity of No. 26 Broadway, New York.

And now I desire to repeat what in substance I said when I appeared and testified before your honorable body, that I have no combat against Mr. Archbold and his associates, for I do not believe that they are any worse than some other men might be, armed as they have been with special privileges and advantages over the highways, the railways, of the country. I have no combat with men. My protest is against this accursed system of favoritism over the railways by which a few men, by the organization of trust combinations, can monopolize, destroy the equal rights of the citizenship, declare 48 per cent dividends on a three-times watered stock in 12 months, and thereby absorb the wealth produced by the many.

M. L. Lockwood.

Witness: Ira S. Zeigler.

I do solemnly swear that the above statement is true to the best of my knowledge, information, and belief.

M. L. Lockwood.

Sworn and subscribed to before me this 14th day of May, A. D. 1901.

[seal.] Ira S. Zeigler, *Notary Public.*

[1] The table here quoted is to be found in Mr. Archbold's testimony, Vol. I, Report of the Industrial Commission, Part II, page 561.

STATE OF TEXAS, *County of Orange:*

Before me, V. H. Stark, a notary public in and for Orange County, Tex., on this day personally appeared J. T. Stark, who, after being by me duly sworn, on oath deposes and says that he is a resident citizen of the United States of America, and is now a resident citizen of the State of Texas, and has resided in the said State of Texas for a period of 44 years next preceding the date of this affidavit; that for a period of 10 years he has been a consumer of illuminating oil; that he now pays for said oil 20 cents per gallon; that for 3 years next preceding the filing of this affidavit he has not been able to purchase illuminating oil for a less price than 20 cents per gallon, and that said prices have been the regular price from the merchant to the consumer for said oil for the period above mentioned in Orange County, Tex.

That for a period of 7 years next preceding said above 3 years he has paid 25 cents per gallon for said oil.

J. T. STARK.

Sworn to and subscribed before me this 14th day of May, A. D. 1901. And I do hereby certify that affiant above subscribing is a credible person.

[SEAL.]

V. H. STARK,
Notary Public, Orange County, Tex.

STATE OF TEXAS, *County of Orange:*

Before me, V. H. Stark, a notary public in and for Orange County, Tex., on this day personally appeared H. T. Fountain, who, after being by me duly sworn, on oath deposes and says that he is a resident citizen of the United States of America, and is now a resident citizen of the State of Texas, and has resided in the said State of Texas for a period of 18 years next preceding the date of this affidavit; that for a period of 5 years he has been a consumer of illuminating oil; that he now pays for said oil 20 cents per gallon; that for 5 years next preceding the filing of this affidavit he has not been able to purchase illuminating oil for a less price than 20 cents per gallon, and that said prices have been the regular price from the merchant to the consumer for said oil for the period above mentioned in Orange County, Tex.

H. T. FOUNTAIN.

Sworn to and subscribed before me this 14th day of May, A. D. 1901. And I do hereby certify that affiant above subscribing is credible.

[SEAL.]

V. H. STARK,
Notary Public, Orange County, Tex.

STATE OF TEXAS, *County of Orange:*

Before me, V. H. Stark, a notary public in and for Orange County, Tex., on this day personally appeared N. Burton, who, after being by me duly sworn, on oath deposes and says that he is a resident citizen of the United States of America, and is now a resident citizen of the State of Texas, and has resided in the said State of Texas for a period of 34 years next preceding the date of this affidavit; that for a period of 30 years he has been a consumer of illuminating oil; that he now pays for said oil 20 cents per gallon; that for 4 years next preceding the filing of this affidavit he has not been able to purchase illuminating oil for a less price than 20 cents per gallon, and that said prices have been the regular price from the merchant to the consumer for said oil for the period above mentioned in Orange County, Tex.

N. BURTON.

Sworn to and subscribed before me this 14th day of May, A. D. 1901. And I do hereby certify that affiant is a credible person and is at present district and county clerk of Orange County, Tex.

[SEAL.]

V. H. STARK,
Notary Public, Orange County, Tex.

AFFIDAVIT OF HON. S. F. MONNETT,

Ex-Attorney-General of Ohio, Columbus, Ohio.

The HONORABLE INDUSTRIAL COMMISSION,
Washington, D. C.:

I beg leave to submit a reply affidavit to the scurrilous misrepresentation of a man by the name of John D. Archbold, testifying before your commission, as appears upon page 543[1] et seq.

ANSWER TO ARCHBOLD'S PRELUDE.

THE STATE OF OHIO, *Franklin County, ss:*

It is true that the Standard Oil Company is and has been interested in Ohio, as set forth in the prelude of Archbold's testimony; that certain corporations, like the Buckeye Pipe Line Company, the Ohio Oil Company, Solar Refining Company, and the Standard Oil Company of Ohio, are and have been duly chartered by the State, but I specifically deny that they are "carefully observing the obligations imposed upon them by their charter," but each and every one have openly and notoriously violated their charter, and have violated the statutes of the State, criminally and civilly, and are now so violating them, and did not dare to come into court and answer the charges of such violation as set forth in the petition in quo warranto and the interrogatories thereto attached, the Buckeye Pipe Line Company, the Solar Refining Company, and the Standard Oil Company of Ohio, other than filing such an affidavit to their pleadings, as the inclosed one indicates, and as appears on page 34 of the supreme court record of the case, and which still stands in open and notorious defiance of the State laws.

COPY OF BUCKEYE PIPE LINE COMPANY'S JURAT TO ANSWER IN SUPREME COURT OF OHIO.

THE STATE OF NEW YORK, *County of New York, ss:*

Henry H. Rogers, being duly sworn, says that he is president of the defendant herein, a corporation, and that the averments of its foregoing answer are not verified because the admission of the truth of certain facts stated in the pleadings might subject the defendant and its officers to a criminal or penal prosecution and to a forfeiture of its charter, franchises, and privileges, and for the same reason the interrogatories are not answered.

HENRY H. ROGERS.

Subscribed and sworn to by the said Henry H. Rogers before me this 18th day of January, 1899.

JOHN BENSINGER,
Notary Public for Kings County

Certificate filed in New York County.

They ceased to hold bona fide meetings in the State of Ohio of their directors and stockholders, as required by statute; they removed their principal place of office to 26 Broadway, New York, entered into and remained in the Standard Oil Trust by part of the companies, continuing to nourish the trust certificates issued by the Standard Oil Trust by paying dividends thereon, in open defiance of the court, for 8 years; they escaped the contempt of the court for violating the original decree of the Standard Oil Company, wherein they were adjudged to have entered into the trust contract illegally, and escaped punishment in contempt by the supreme court of Ohio by a vote of 3 to 3. The three judges voting to hold them in contempt were the three judges that were on the bench when the original decision was rendered. It is charged and uncontradicted that their influence defeated Joseph P. Bradbury for renomination as judge of the supreme court of the State of Ohio, who was known to be against their treatment of the court in this decree, and not until after his defeat and election of a judge in his place did they get a tie vote that failed to convict them. They have openly and notoriously evaded the taxes due the State by making returns upon their property, in many instances estimated at less than 10 per cent of its real value, considering the earning capacity of the property.

I reaffirm that on their own figures, as reported to the excise board, they shipped from the oil fields of Ohio to their various refineries an average of upward of

[1] See Vol. I, Report of the Industrial Commission, Part II, page 543.

30,000,000 barrels per year, as appears in my testimony, on page 311 of the records[1] of your commission, and that the gross receipts for refined oil and by-products received by the Standard Oil combination companies from Ohio's crude oil would reach $120,000,000 a year. I did not claim, as indicated in Archbold's reply, that any such amount was consumed in Ohio; it was the amount that was extracted from Ohio and mostly piped out of Ohio. If Archbold's testimony is as represented in its prelude on page 543,[1] in which he says that the said corporations composing his combination of companies are "carefully observing the obligations imposed upon them by their charters," I wish to caution the commission against drawing any conclusions or deductions from any of his evidence; and his reiteration of this matter, after all that has been shown in the courts by the affidavits of their own officers and their conduct before the court and in the State legislature regarding the same, is most reprehensible.

I would like to characterize this absurd statement of Archbold's and his misrepresentation of the conduct of his companies in Ohio in much stronger terms, but I "bow to the wish of the commission."

He entirely misquotes Mr. Kinkead; at least, he misconstrues Mr. Kinkead's "satisfaction on his investigation." Mr. Kinkead demanded records and answers to the State's interrogatories that were never answered, but when Mr. Archbold undertakes such a large job of swearing as to malign, contradict, vilify, and reflect upon Senator Theo. F. Davis, M. L. Lockwood, Mr. Lloyd, Mr. Phillips, Senator Lee, Mr. Emery, Theo. B. Westgate, David Kirk, Messrs. Dennison, Akin, and Murphy, and the whole army of witnesses, their victims and others that do not bow down their knee to worship at his oily shrine, and cry "Allah, Allah" at the altar of his by-products, I am not surprised that he would palm off such testimony upon the commission.

Looking at his testimony in the light of the various records as shown in the courts, in the face of the testimony of the other witnesses and of the company's refusal to testify when called upon to do so, what strength or force can his testimony have as to what his corporations have done to obey the law in Ohio when these companies had an opportunity to demonstrate to the court that they were law abiding, but did not dare answer the interrogatories submitted to them for fear of penal or criminal prosecution, as they allege, in Ohio.

BURNING OF THE BOOKS.

I submitted to the commission the sworn testimony of the witnesses who helped burn the books and of the draymen who helped haul them to the funeral pyre. I also gave them an opportunity to produce a single volume, whether daybook or ledger, covering the subject-matter that was contained in the books so burned. They never did produce them, and never have produced them, and openly refused to produce them under the court's order, and flagrantly subsidized 110 newspapers in the State of Ohio to protect them in their methods. Since said sworn testimony 1 of their traveling auditors or employees has admitted that he was out collecting the books and records that were shipped into the office and burned, and he himself was ordered, if subpœnaed, to answer no questions, but to go to jail in contempt. This employee said the State was "hot on their trail."

THE BRIBERY CASE IN OHIO.

I charged them before the supreme court with having attempted to bribe the Hon. D. K. Watson, former attorney-general, and also myself as attorney-general, as fully set forth in the complaint, and began taking testimony to establish the fact, but Mr. Archbold said in his testimony on page 544[2] that they had called upon the court to investigate the charges, and if the court did not investigate they would. On the day I began to take the testimony to establish every allegation made in reference to the bribery in my reach, showing how the $400,000 was offered, and showing how $100,000 was offered to my predecessor, and giving all the details, telegrams, and intermediaries, and all the evidence connected therewith, the chief justice of the supreme court, at the request of the attorneys of record of the Standard Oil Company, verbally ordered me not to take the testimony, and the charges were thereafter dismissed by the court without the hearing of any testimony on the part of the State to establish the same. So that, instead of the trust "courting investigation," they deliberately evaded and suppressed an investigation of these bribery charges, the court holding among other grounds that they had no jurisdiction over the question of contempt as charged, as to whether the Standard Oil Company was allowed taken, either by the company or the court, although the State stood ready to give a full exposition and exposure thereof.

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[1] See Vol. I, Report of the Industrial Commission, Part II.
[2] See Vol. I, Report of the Industrial Commission, Part II, page 544.

Through their pipe-line charges and by means of their monopoly in transportation, the Standard Oil combinations continue their monopoly in handling oil in Ohio, as every consumer of oil in this State can verify by his pocketbook.

Campaigns come and go, commissions investigate, and legislatures meet and adjourn, and magazine articles are written and read, and yet, through their monopolistic and criminal exactions, the Standard Oil combinations of transportation and distribution thereof levy tribute upon the owner of the oil rock and exact from the consumer of the refined oil and its by-products this unnatural profit. The public are its victims; the little band of law violators owning the controlling shares are the beneficiaries of the plunder. The public for a short time stand aghast at their very boldness and defiance. The Government alone can check their abuses.

Subsidized papers, and public officials bribed by these law violators will work their own ruin sooner or later. The exposure made by the Industrial Commission has had its wholesome place in this work, but some more drastic measures must soon be administered. The States have the sovereign power to protect all lawful efforts of organized wealth, but when the State creates the corporations that use their delegated powers for other purposes than the Government itself could use them, it is time then to revoke such charters by the courts. This Government was established to promote the "general welfare," not for the special welfare of a few magnates; neither can this sovereignty delegate its governmental functions to seven trustees to operate the Government for their *special welfare* and for "*their* posterity."

No corporate creature of this Government can deprive a citizen of his property through monopolistic combinations and exact an unnatural and an unconscionable tribute or excise from the consumer by this brute force, and long hold the public good will. Neither can this band of law violators long deny the common citizen the equal protection of the laws; neither can they destroy competitor's property at will without adequate compensation. They have shown little respect in Ohio for "vested" rights of competitors, and little respect for "vested facts" or "truth" in their reports and testimony from my views of this evidence.

F. S. MONNETT.

I swear that these statements made by me of my own knowledge are true, and that all other statements I believe to be true.

F. S. MONNETT.

Sworn and subscribed to before me this 6th day of June, 1901.

[SEAL.] L. R. PUGH,
Notary Public, Franklin County, Ohio.

AFFIDAVIT OF HON. JAMES W. LEE,

President Pure Oil Company, Pittsburg, Pa.

STATE OF PENNSYLVANIA, *County of Allegheny, ss:*

James W. Lee, being duly sworn, deposes and says, in answer to the statement made on page 507, Volume 1, Part II, of the report of the Industrial Commission:

It is not true that the said affiant acknowledged himself to be not only a member but the head of a trust. The company to which reference is made is the Pure Oil Company, and it is not now nor has it ever been in any sense a trust. It was organized to have exactly the opposite effect, to prevent, if possible, instead of securing monopoly. The fact that a portion of its stock is held in a voting trust does not in any way contribute to make it a trust. This voting trust was created for the express purpose of preventing monopolies in the business in which it is engaged from securing the control of its business, and destroying the small measure of competition which the said company affords in the industry in which it is engaged. These voting trusts had been employed for proper and laudable purposes long prior to the date at which modern trusts came into existence.

Affiant is not now nor ever has been connected with modern trusts—that is, a corporation or combination of corporations intending to create and maintain a monopoly in any industry.

Affiant desires to reiterate the statement that the Standard Oil Company was absolutely opposed to the passage of the free-pipe line law in Pennsylvania in 1883, and to the attempted passage of a similar law in 1879 and 1881. This was a matter of common and general knowledge at the time, and their agents forwarded hundreds of telegrams in opposition to the measure during the time of its consideration.

The letters submitted on pages 517 to 526 of the report[1] are wholly inconsequential as proving the matter which they were offered to establish. They are in the nature of negative testimony. Affiant has knowledge of a case in which the general freight agent swore that no discrimination in rates were made, and then the honest auditor of said road testified and submitted written statements showing discriminations to the amount of thousands of dollars in said year.

Affiant desires to call attention to the average price given for oil in New York, beginning in March, 1896, and says that the average prices were given for the month of March. The price he gave was 9 to 9½, which was the price on March 9, 1896, and the statement of the average price for March 7, 1898, on page 528,[1] is simply confirmatory of affiant's statement of the rapid reduction in price after the Pure Oil Company began the sale of oil in the city of New York. On page 528 Mr. Archbold gives the average price for July at 6.23, while the affiant gave the price at 5½. The price given by affiant was correct, and Mr. Archbold found it necessary to give the average price of all their business for July in order to raise the price above this figure of 5½. The average price for July as given by him includes not only the sales made in July but their previous contracts for July, some of them possibly made before the Pure Oil Company began business.

Affiant says that the statement made by Mr. Archbold on page 530[1] that affiant approached the Standard Oil Company, or any of its officers or employees, seeking the sale of any portion of the independent interests, is wholly untrue. The only approach affiant ever made to an officer or employee of said company was made to the attorney of the company, and there was no suggestion of sale or even of combination, but simply that the Standard Oil Company would cease to use the destructive methods which they were employing against the independent interests, stating to said attorney that this, if it was not, should be a free country in which anyone, even with limited capital, should be entitled to engage in a legitimate business and to carry it on without efforts on the part of others engaged in the same business seeking by unfair methods to destroy it.

JAMES W. LEE.

Sworn to and subscribed before me this June 11, A. D. 1901.

JAMES S. CAMPBELL,
Notary Public.

AFFIDAVIT OF JOHN D. ARCHBOLD,

Vice-President Standard Oil Company.

To the Honorable Industrial Commission, Washington, D. C.

GENTLEMEN: I beg to submit the following affidavit relative to the new assertions contained in the affidavits[2] of F. S. Monnett, Charles B. Mathews, M. L. Lockwood, and J. W. Lee, filed with you in June last. At the time I gave my former testimony, the question of attempted bribery and burning of books was pending before the supreme court of Ohio for investigation, and I was instructed by counsel that it was not proper to go into details respecting these matters. That court has completely vindicated the Standard Oil Company from both charges, and has dismissed all the actions instituted against it by Attorney-General Monnett. The attorney-general, notwithstanding this result, reiterated before you his charges and reflected upon the purity of the court. I therefore desire the privilege of setting forth the facts shown by the court in some detail in order that you may judge between F. S. Monnett on the one side, and the supreme court of Ohio and the Standard Oil Company on the other.

BRIBERY.

The first public mention of the bribery charge came from George Rice in an interview at Marietta, which was given out to the newspapers on March 3, 1899. The last paragraph of this interview was as follows:

> In this connection it might be of interest to the citizens of the State to know that they have an incorruptible official in Attorney-General F. S. Monnett, who within the past month has been offered the sum of $500,000, less $100,000, to be retained by the person attempting the bribery, to stop proceedings against the Standard Oil interests, and evidence has come to me from such source and in such manner that establishes this fact beyond the possibility of a doubt.

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[1] Report of the Industrial Commission, Vol. I.

[2] See pp. 646–660, this volume.

To his friends Monnett pretended surprise and expressed anger at Rice's disclosure. He told the court afterwards that the story had been given Rice in confidence in the attorney-general's office, and that Rice had given it out because he had been goaded to anger by charges of blackmail.

The story was soon made prominent in all the newspapers. Reporters thronged Monnett's office and telegrams crowded his desk urging him to tell what he knew about it. He put on a mask of fairness; he feigned hesitation, and told them the matter was in court and he did not "feel at liberty to discuss it," but before closing his mouth confirmed it in confidential parentheses. He pretended it was true, conceded the reported negotiation and figures, but concealed the name of the man who offered them. When pressed for the name, his usual reply was, "I do not think it a wise plan. If I were to give out his name, half a dozen different departments of the trust would be after him at once, and it might be they could force him or persuade him to keep his mouth shut, and in that case I might be placed in an unpleasant predicament."

The Standard's attorneys, Kline and Elliott, after a few days of this mystery, addressed Monnett a letter on the 20th of March, as follows:

NEW YORK, *March 20, 1899.*

Hon. F. S. MONNETT, *Attorney-General of Ohio:*

On March 4, instant, George Rice announced to the public press that a bribe of $500,000, less $100,000 commission, had been offered you to induce you to stop or delay proceedings against the Standard Oil Company, now pending in the supreme court of Ohio.

You are reported to have entirely denied, at Toledo, the Rice story, but by the time you arrived at Columbus, on the evening of the same day, you concluded that the story was true, and accordingly in various newspapers on the morning of the 5th instant you made the statement that the Standard Oil Company, through some friend of yours, had offered you $400,000 to influence your action with respect to the cases pending against it and other companies in the supreme court of Ohio. Reputable newspapers of the State, notably the Cleveland Leader, the Toledo Blade, and the Ohio State Journal, have called upon you to disclose the name of the "friend" who thus corruptly approached you.

You are reported in the Cleveland Plaindealer of March 7 as saying that "if you were to give out the name of your friend, half a dozen departments of the trust would be after him at once, and it might be they could force or persuade him to keep his mouth shut."

You do not seem to realize that the reason given by you for refusing to disclose the name of your friend is an admission that the company does not know the name of the party whom you say it commissioned to offer you $400,000, and therefore you must have known that the alleged friend made the offer to you without the authority or knowledge of the Standard Oil Company.

In the New York World of the 9th instant you are reported as saying that you had written the friend who tried to bribe you that you would not expose him until public interest demanded it.

In another interview in the Cincinnati Commercial Tribune of the 6th inst., you are reported as saying that "Your friend had agreed to protect you." The arrangement for protection, therefore, seems to be mutual.

So far as any connection with the Standard Oil Company with any attempt to bribe you is concerned, it is totally false. You have the names, or claim to have, not only of the friend who approached you, but also of others acting with him, because, on the 14th inst., you said in the public prints that these men were telegraphing you from New York.

While nothing in your story has directly connected the Standard Oil Company with the attempted bribery, you have desired the public to assume such connection. We now demand that you give the name or names of the person or persons who made such an offer to you, claiming to represent the Standard Oil Company, that we may take steps to quiet this last and most vicious of the many false and sensational stories to which you have given currency.

Respectfully,

VIRGIL P. KLINE,
M. F. ELLIOTT,
Attorneys for Standard Oil Company.

After studying over the letter 25 days, on April 15, 1899, Monnett filed in the Supreme Court a paper which he called a bill of information in contempt. This bill contained not only a statement of what Monnett claimed was an attempt to bribe him, but contained allegations of an attempt to bribe D. K. Watson in 1890 by several mysterious persons, no names of such persons being given. It then referred to conversations at different dates between another mysterious person and Monnett, still failing to name the person.

The effect upon the public of an information of this character after the direct demand made upon him by the Standard's attorneys can be best judged by the following extracts from the newspapers of that day:

The attorney-general has filed the long-promised statement of the attempt to bribe him by the Standard Oil Company. It is as unsatisfactory as the play of Hamlet with Hamlet omitted. He gives no names, but says that certain parties or a certain party offered to do so and so. What the public wants is the name of the briber and then proof that he was an agent of, and authorized to act for, the company. If it can be proven and is proved that the Standard Oil Company offered a bribe to the attorney-general, there is not an honest citizen who will not insist on the punishment of the guilty man or men.

"A certain party" may be nobody, or nobody with authority, a mere myth. Let us have the name of the briber and his connection with the company. (Sandusky Register, April 17, 1899.)

Attorney-General Monnett's bill of information is a disappointment. It fails to answer definitely the request of the Standard Oil Company's attorneys for the name of the man who is said to have attempted to bribe him in the interest of the company. Not only is the man not named, but the recital of the circumstances surrounding the alleged attempt to bribe the State officer is much weaker than the stories that have filled the newspapers. Instead of clarifying the matter, he has made it, if

possible, more confused, and has prematurely invoked the aid of the supreme court. At no time has there been placed in the hands of the attorney-general a better weapon than this, which he says he has, but seems afraid to use. Using it properly in his warfare against illegal corporations, he might abandon the other weapons which it has been troublesome for him to employ successfully. Using this effectively, he would early have at his back a public sentiment that would do more than aught beside to further his crusade.

The boldness of the company's attorneys in demanding the name of the alleged bribe offerer and the failure of the attorney-general to comply with that reasonable demand have certainly created a bad impression. The party from whom concealment would naturally be expected is not an officer of the law who has refused a bribe, but rather the company or individual whom the bribe offerer represented. Was the bribe offering a dream or a reality? The attorney-general's information does not make it clear. (Columbus Dispatch, April 17, 1899.)

Mr. Monnett, anxious to have the press promulgate his charge against the Standard Oil Company and to have himself praised loud and long for refusing a princely sum, utterly ignored the claim of the people, made through the press, for the names of the alleged bribers. He had numerous excuses to offer, but declined to recognize the just demand, until, to bring the matter to a focus, the Standard Oil Company took the steps that forced Mr. Monnett to give the names of the alleged bribers, the manner of the reputed tender, and all other information connected therewith. (Cincinnati Times-Star, May 9, 1899.)

The charge made by Monnett called for action—action against the agent who tendered the bribe and the principal who supplied the bribe. A crime had been committed and the duty of the attorney-general of the State was to expose the criminal and to take such action as would bring him and the Standard Oil Company into court to be tried for a serious and reprehensible violation of the law.

So far Mr. Monnett has declined to make known the man who sought to debauch him, and no effort has been exerted to punish the Standard Oil Company for seeking to bribe the attorney-general of the State of Ohio. (Cleveland Leader, May 3, 1899.)

The more the attitude of Attorney-General Monnett is examined into as regards the Standard Oil muddle, the more conscientious people of all classes question his consistency. That his conduct was inspired all the way through by a feeling buncombe is plainly evident. He hoped, by coping with the biggest corporation in the world, to incite a feeling of admiration on the part of the trust-opposed people that would give him the nomination and land him in the gubernatorial chair. That the people are not falling over themselves to honor him indicates that they understand his motives and are not in sympathy with his political tricks, even if they would like to see some of the trusts brought under subjection to anti-trust laws. But in the case of the Standard, Mr. Monnett has not as yet proven, or come anywhere near proving, that the company is in any particular exceeding the prerogatives of its charter. (Fostoria Times, May 10, 1899.)

No process was issued upon the filing of this paper and no notification given the Standard Oil Company that it had been filed. But learning of the fact, the Standard's attorneys immediately went into court with the following motion, which appears in the records of the case. Notice of the filing of the motion was immediately given Monnett.

In the supreme court of Ohio.

THE STATE OF OHIO, EX REL. D. K. WATSON, ATTORNEY-GENERAL, plaintiff, *v.* THE STANDARD OIL COMPANY, DEFENDANT. } No. 2294. Motion.

(Filed in supreme court, May 4, 1899.)

Now come Virgil P. Kline and M. F. Elliott, attorneys for defendant in above case, in reference to a paper filed in above case by F. S. Monnett, attorney-general, on the 15th day of April, A. D. 1899, and making known to the court that no notice has been given to the defendant of the filing of said paper, and that no process has been issued requiring an appearance, yet, being unwilling that such false, defamatory, and libelous charges should remain among the records of this court without contradiction and in order that the falsity thereof may be made susceptible of proof, they move the court:

I. That the attorney-general be required to make the charges in paragraph designated "First" more specific and certain by naming the person who it is therein alleged requested Hon. Daniel J. Ryan to use his influence as therein stated.

II. That the attorney-general be required to make the charges in paragraphs designated "Second," "Third," "Fourth," "Fifth," and "Sixth" more specific and certain by naming the persons who it is therein alleged made the offers and representations to D. F. Watson therein stated.

III. That the attorney-general be required to make the charges in paragraph designated "Seventh" more specific and certain by naming the party who had the conversation with him therein referred to, and also by naming the "certain party" referred to in the telephone message from Cleveland, and by naming the "parties representing the Standard Oil Company" therein referred to, and by naming the three persons designated as "one of the stockholders of defendant company and two other people," and by naming the parties in New York who were telegraphed to

from Columbus, as stated, and if any others are referred to therein as "representatives of the Standard Oil Company" that they be named.

IV. That a commissioner be appointed to take all legal testimony which bears upon the truth or falsity of the charges in said paper contained.

V. That a disinterested attorney be appointed to conduct the examination upon the part of the court.

In support of the requests contained in paragraphs IV and V of this motion, the attorneys for the defendant make the following statement upon information and belief, to wit:

That all the facts set forth in said paper, so far as they connect the defendant with any attempt at bribery or undue influence, are false; that while Attorney-General Monnett may have had conversations with some person connected with and unknown to defendant, nothing therein occurred which gave the attorney-general any reason to believe the defendant had any knowledge of or connection with the matter; that the attorney-general has filled the newspapers with false and libelous reports of attempts at bribery on the part of the defendant, well knowing that there was no foundation for the same. That until the attorney-general gives the name of his friend, defendant can not prepare to meet these charges, and by reason of the facts alleged it is evident that both F. S. Monnett and S. W. Bennett must be witnesses in the case; that the attorney-general is not disinterested and can only acquit himself of false and libelous statements and free himself from suspicion by proving defendant guilty of the charges he has preferred.

Wherefore it is highly improper and unjust that he, as representative of the court, should conduct the investigation.

STANDARD OIL COMPANY,
By VIRGIL P. KLINE and
M. F. ELLIOTT,
Its Attorneys.

In the supreme court of Ohio.

THE STATE OF OHIO, EX REL D. K. WATSON, Attorney-General, Plaintiff, *v.* THE STANDARD OIL COMPANY, DEFENDANT.	Cause No. 2294. Notice of motion.

(Filed in the supreme court May 4, 1899.)

To Hon. F. S. MONNETT, *Attorney-General of Ohio:*

You are hereby notified that the defendant in the above cause has filed therein a motion to require you to make certain allegations in the paper styled "A bill of information in contempt," filed by you therein on the 15th day of April, 1899, more specific and definite; and also asking the court to appoint a commissioner to take all legal testimony bearing upon the truth or falsity of the charges in said bill of information in contempt contained; and to appoint a disinterested attorney to conduct the examination relating to the charges in said bill of information in contempt set forth, on the part of the court.

Said motion will be for hearing at 8.30 a. m. on the 18th day of May, 1899.

Dated this 4th day of May, 1899.

LAWRENCE T. NEAL,
Of Counsel for Defendant.

I hereby acknowledge service of the above notice this 4th day of May, 1899. We ask for an earlier hearing of motion.

F. S. MONNETT, *Attorney-General.*

Forced by this motion and notice, Monnett filed what he termed an amendment to the complaint in contempt, in which he confessed his inability to name the persons referred to as approaching Watson, and in which he named Charles B. Squire as the friend who had approached him. This Charles B. Squire, let it be remembered, was the intimate friend of F. S. Monnett, had no connection, and never had, with the Standard Oil Company, and no acquaintance, so far as we can learn, with any of its leading members.

Charles B. Squire immediately caused the following explanation of his connection with Monnett to be published. Whether it is true or not, the Standard has no means of knowing, as it is in utter ignorance of the whole affair, and Mr. Monnett and his friend must settle this question of veracity between them:

If Attorney-General Monnett, in his statement to the court of Ohio, said that I offered him a bribe, as representing the three men he mentions, it is absolutely and unqualifiedly false.

I know nothing about the statement you say the attorney-general has made, but he surely could

not have said I offered him a bribe of $400,000 or any other sum as representing men from the Standard Oil Company, or anybody else. I never offered a man a bribe in my life, and if anybody says I did he tells an untruth.

What I have said before is true. I had been approached by a promoter of schemes and warned the attorney-general to beware of him. I do not believe the man in question ever had any connection with the Standard Oil Company, or represented it in any way in his offer. He was merely "fishing" in the hope of getting something for himself. I thought at the time he might have been representing the Standard, and that is why I warned Monnett to keep away from him, and by all means not to resign or drop the prosecution, as the talk would be that he had been bribed.

Later I learned that the man had no connection with the Standard Oil Company; that he was a promoter and evidently had tried to approach the attorney-general merely on his own hook, and without any authorization whatever from the Standard Oil Company.

I can not understand why the attorney-general—if he did so—could say I attempted to offer him a bribe. It is absurd and untrue. The contrary is the case. I warned him to beware of certain persons that might possibly lead him into a trap. (Charles B. Squire in a statement to the Press last night.)

This was the state of the record on September 8, 1899, when I was called before the Industrial Commission. I said in relation to the bribery charge that "we had answered the charge of bribery and our answer was before the supreme court. We court an investigation. We deny it (the bribery) to the very uttermost."[1]

Monnett, in his affidavit[2] filed in June, 1901, with the Industrial Commission, says:

I charged them before the supreme court with having attempted to bribe the Hon. D. K. Watson, former attorney-general, and also myself as attorney-general, as fully set forth in the complaint, and began taking testimony to establish the fact, but Mr. Archbold said in his testimony, on page 544, that they called upon the court to investigate the charges, and if the court did not investigate they would. On the day I began to take the testimony to establish every allegation made in reference to the bribery in my reach, showing how the $400,000 was offered and showing how $100,000 was offered my predecessor, and giving all the details, telegrams, and intermediaries, and all the evidence connected therewith, when the chief justice of the supreme court, at the request of the attorneys of record of the Standard Oil Company, verbally ordered me not to take the testimony, and the charges were thereafter dismissed by the court without the hearing of any testimony on the part of the State to establish the same.

Compare with this statement the record as I have disclosed it. Consider the motion made on May 4, 1899, that a commissioner be appointed to take the testimony, and that a disinterested attorney be appointed to conduct the examination upon the part of the court, and notice the reasons given for said motion, to wit, that "the attorney-general has filled the newspapers with false and libelous reports of attempts at bribery on the part of the defendant, well knowing there was no foundation for the same," and that "it is evident that F. S. Monnett and Bennett must be witnesses in the case," and "that the attorney-general is not disinterested and can only acquit himself of false and libelous statements and free himself from suspicion by proving the defendant guilty of the charges he has preferred. Wherefore it is highly improper and unjust that he should, as a representative of the court, conduct the investigation."

Can it be possible that, pending that motion and oblivious to the reasons given in its support, without awaiting the action of the court, Monnett did, as he swears, "begin taking testimony to establish the fact?" How could he begin to take testimony when the court had appointed no commissioner to take it, and how dare he begin to take testimony when the record showed he was a party implicated and could only clear his own character by proving the guilt of the defendant? The plain fact is that he did *not* begin to take testimony, as he swears. But it is true that, utterly regardless of his duties as an attorney and as a representative of the court, he did give notice that he would take testimony before a notary public, a proceeding which he knew to be illegal, preposterous, and contemptuous. This notice of an intended illegal proceeding was brought to the attention of the court in the proper manner, and the court very properly and peremptorily stopped it.

These are the facts to prove the falsity of Monnett's oath that "instead of the trust courting investigation they deliberately evaded and suppressed an investigation of these proper charges." The motion for an investigation was made in good faith and pressed in good faith, and it was not until December, 1899, that the court unanimously entered the following order:

It is ordered that the information herein filed by the attorney-general on the 15th day of April, 1899, be stricken from the files, it not appearing that there is any competent evidence to connect the defendant with the alleged offer to the attorney-general.

It is only necessary to add to this record the now well-known fact that the original action against the Standard Oil Company for contempt, instigated by the attorney-general at the request of George Rice, was afterwards dismissed by the court, and that the present attorney-general of the State of Ohio, after carefully considering all the evidence taken by Attorney-General Monnett in the various other cases instituted by him against the Standard, moved for the dismissal of the cases, which

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[1] See Vol. I, Report of the Industrial Commission, Part II, p. 544.
[2] See pp. 657–659, this volume.

motion was promptly granted by the court. Nothing was left Monnett but the usual rule, when an attorney has lost his case, to abuse the court which had decided against him.

BURNING BOOKS.

Monnett's charge that the Standard Oil Company burned its books was first published in Cleveland, Ohio, newspapers on the evening of December 21, 1899. This charge was promptly and completely denied by Kline, Carr, Tolles & Goff, attorneys for the Standard, in the following letter:

EDITOR THE CLEVELAND PRESS:

The charge or insinuation made by Attorney-General Monnett that the Standard Oil Company has burned or destroyed any of its books of account is absolutely false. It is simply based upon the fact that the company, from time to time, destroys useless material which accumulates in its business, as is the case with every other large corporation or business house. This it does openly and has always done.

The attorney-general having learned of such a transaction occurring in November, has undertaken to create an impression through the public press that this was an attempt on the part of the company to evade the order of the supreme court, an impression which is entirely unfounded.

In view of the notice you have given the public in this matter, we trust you will kindly publish this statement.

Very respectfully,

KLINE, CARR, TOLLES & GOFF.

A few days thereafter Monnett revived the charge, and for the first time used it officially in a paper filed with the supreme court in an application for issuing further process and for the removal of Commissioner Brinsmade.

In that paper Monnett said:

The State is informed and believes that many valuable records and documentary evidence have already been destroyed since the former adjournment of said referee on or about November 15, 1898, and the order of said court on December 7, 1898.

While this slander was new, Mr. Kline, in the presence of the court and the attorney-general, in discussing the question of producing books, said to the court:

Now, your honor has inquired whether we have books showing the gross earnings and disbursements of this corporation. Yes; and all its business detail in all its relations to all the world, and this talk about destruction is the merest chaff. We are glad to have an opportunity to meet in this tribunal the claim that books have been destroyed. The attorney-general may send to this court every single scrap of testimony, whether it be signed or not. There is an intimation of collusion, or that the master has acted unfairly and that we are destroying valuable records. Of course these falsehoods will get around the world before the truth can get after them. But we can satisfy this court and we owe it to this court.

According to Monnett's testimony before the Industrial Commission at Washington on May 16, 1899, 5 months afterwards, the original basis of this charge was anonymous. On this point Monnett then and there testified:[1]

We received an anonymous communication that they had burned their books. We subpœnaed certain parties and had them testify to the fact. The information to the State, after following up the matter, was that they had burned 16 boxes of books. I give you Mr. McNirney's testimony touching upon the subject:

"Question. (By Mr. JENKS.) You believe those books that were burned were the ones you required Mr. Squire to produce?—A. That is the fair legal presumption from the testimony, considering the size of the books, the size of the boxes, the number, the circumstances, and the refusal to produce them afterwards, although Mr. Kline in open court stated that they had not destroyed them, that they had them yet, and that they would not produce them on the request of the chief justice of the court. They absolutely refused to produce them, and relied upon their constitutional privilege to refuse to answer. The exact testimony as to burning of the books I will furnish you for your own conclusions."

Compare the testimony of Monnett in Washington, and his charges in Ohio, with the following testimony taken by him in the case.

McNirney testified:

I am employed by the Standard Oil Company as car builder and repairer. On or about November 19, 1898, was ordered to and did help load boxes of books and sacks from the general offices of the Standard Oil Company on Euclid avenue, Cleveland, into a wagon to be hauled to the warehouse of the Standard Oil Company at their No. 1 works. Moran helped me in the loading. There were 16 boxes in all. Moran is a car builder and laborer. We burned some of the boxes the next Monday. We did not burn them all; think we burned all we took out. We also burned papers and letters in the sacks. I think we burned 9 chests and 6 sacks. Those sacks were all letters and copying books, I should think, or something like them. Loose paper, waste paper, I say. Moran helped me throw them in the furnace. Moran helped me through the whole transaction. George Field, the car-shop foreman, gave me the order to go to the general office, and also to do the burning. We went to the office about 9 or 10 o'clock in the morning. Don't know whether the books were tagged for the car-shop hill or just "Chas. Hogan" for distribution. Charles Hogan is general superintendent. He can tell you more about this book burning than I can.

On cross-examination McNirney said:

Everybody in the shop knew that those books were destroyed, and those papers, and they all understood that they were waste paper, as we understood it. There was no secret about that, no

[1] See Vol. I, Report of the Industrial Commission, Part II, pp. 303, 306–307.

secret about this case at all. All the employees in the car shop knew that those books and papers were destroyed and understood that they were waste paper, and we understood they were waste paper.

On the same day Charles Hogan testified that—

His place of business was the Standard Oil Company's No. 1 works. Had charge of the mechanical department. On or about November 19, 1898, gave instructions to George Field to have him send to the general offices for boxes. Order to me to send for them came by telephone from the general office. Saw the boxes and personally inspected the burning of the contents. The boxes contained miscellaneous lot of paper, letter-press copying books, etc. The contents were burned in the furnace.

Cross-examination:

Have been at No. 1 works 21 years. It is a very common occurrence to burn accumulations of waste paper. This kind of stuff was of same character as on previous occasions. Was ordered to burn nothing less than 10 years old. This was the old accumulation gotten out of the block at the time of changing office rooms, occupying two floors instead of five.

William Moran testified:

Work for Standard Oil Company as car repairer. Went with John McNirney and teamster to Standard Oil Company offices to get boxes—about 16 boxes; took them to storehouse; left them in Hogan's charge. There were boxes and sacks. A lot of the scrap paper was lying on the floor and we picked it up and put it into the sacks. The following Monday morning we burned a lot of scrap paper; it was 9 or 10 o'clock on Monday morning. John McNirney assisted me in burning the books. We also burned similar stuff a year or a year and a half ago. This was done before the employees and no effort at secrecy. Nothing unusual about the transaction of burning this waste stuff, and no suggestion from Mr. Hogan or anybody that it was to be kept secret.

In addition to the foregoing statement taken by Monnett there were submitted and read in his presence two affidavits, one by Charles C. Hogan and the other by S. H. Tolles, the substance of which is as follows:

Hogan's affidavit.

In the supreme court of Ohio.

THE STATE OF OHIO EX REL. F. S. MONNETT, ATTORNEY-GENERAL, plaintiff, *vs.* THE STANDARD OIL COMPANY, DEFENDANT.	Affidavit. Filed in supreme court.

THE STATE OF OHIO, *Cuyahoga County, ss:*

CHARLES C. HOGAN, of lawful age, being duly sworn, upon his oath says that he is in the employment of the defendant and has charge of the mechanical department of its No. 1 works; that he has been in the employment of the company since November 1, 1878.

During all that time it has been the practice of the company, currently, every 2 or 3 months, to burn up accumulations of waste paper and books from its general offices, the quantity of material thus burned having been currently much larger prior to 1891 than since that time, by reason of the fact that about that date the company's business became largely reduced.

It is the practice at the company's office to keep all invoices, reports, and other like transactions in tissue-paper impression books, which are kept during the current month and until the transactions therein contained get on to the company's regular books, after which time they are useless, and at the end of the current month, after the book entries are made, are thrown aside. These books, together with the accumulations of reports, incoming invoices which have been transferred to vouchers, and other accumulations of waste paper, have been, during all the time of affiant's connection with the company, at current intervals, destroyed by fire. This has been the case with all waste accumulations except such as had one blank side and could be used over again, which are sent to the printing department, cut up, and worked into pads for miscellaneous purposes. A considerable quantity was formerly burned at the boiler of the company's candle works. The furnace, however, being of small capacity, 3 or 4 years ago, while waste paper was being burned there, fire was communicated to the works and they were burned down. Since that time all refuse has been burned at No. 1 works, either at the cooper shop or the pumping-station boilers, the capacity of the furnaces at those places being larger and the burning attended with little risk. During the time of my connection with the company, portions of the refuse material have been burned at the No. 1 works, and since the date last named all has been burned there. Prior to 1889 the material there destroyed was burned at what was known as No. 1 boilers, which were then located directly in the rear of the company's office at the works, and conveniently adjacent thereto. In 1889 those boilers were dismantled, leaving the only places for such burning the boilers at the cooper shop and the pumping station. Affiant has seen such burnings during those years a large number of times.

Prior to 1896, the general office of the company on Euclid avenue occupied five floors of the Standard Block, so called, and had a large quantity of vault room, in which were stored accounts and records of the business dating back prior to the organization of the defendant corporation, and to the time of Rockefeller, Andrews, and Flagler, in 1863. In 1896, the general offices of the company were consolidated upon two floors of the building it had formerly occupied, so that it became necessary to find a storage place for a large quantity of these accumulations, which were then brought out and then placed in the old warehouse at No. 1 works, and thereafter, from time to time, such records and books as were not of the character above described as currently destroyed, were brought out and placed in the storehouse, so that its capacity became crowded. These books were loaded into wagons, brought out and stacked up in the warehouse, and being crowded for room, affiant applied to the auditor of the company to make some disposition of old records, account and letter books, of which in his judgment there were at least 20 cords piled up in the warehouse, so as to get them out of the way, and received in reply to his complaint a communication from the auditor of the company, bearing date March 15, 1898, which was as follows:

"Subject: Storing books and papers.
"Mr. C. C. HOGAN, *No. 1 works.*

"DEAR SIR: Referring to your favor of March 14, Mr. Kline says that we may destroy all books of account, vouchers, as well as miscellaneous books, reports, etc., that are over 6 years old. I believe,

however, that we had better modify this somewhat, and that you had better keep all books of account, mainly ledgers, journals, and cashbooks, that are not more than 10 years old, for the present, at least. You may destroy everything that is older. All letter books, letter files, and miscellaneous books and reports, canceled checks, which, I believe, represent the bulk of stuff stored in the old warehouse, you may destroy up to the 6-year limit. This will reduce the amount of shelving you will require."

Thereupon affiant went through the storehouse and personally superintended the selection of books and papers for destruction at that time. He personally examined every book of account which was set aside for destruction and destroyed, and of his personal knowledge knows that no book of account which was not more than 10 years old at that time was taken out and destroyed. Impression books, letter files, miscellaneous books and reports, canceled checks and papers of that character that were more than 6 years old, he set aside and had burned with the books of account and other refuse matter selected by him.

He knows from his personal examination and selection that there were destroyed no books of account less than 10 years old, and no other material less than 6 years old, all books and papers within those limits remaining in the warehouse; that between that time and November, 1898, from time to time, there was sent out and burned waste material of the kind herein described, but no books of account, and about November 19, 1898, another lot of refuse matter, which has been spoken of in the testimony taken before H. C. Mason, notary public. The quantity then burned was not larger, nor was its character other than that which currently comes out and is destroyed. Since that time—and while the testimony was being taken before Mason, the notary public—another batch of refuse has been sent out and destroyed at the cooper-shop furnace. At none of these times has affiant known of books of account being burned, except at the time above mentioned by him.

There never has been secrecy about the destruction of this refuse matter. It has always taken place in open day and in the presence of a large number of defendant's employees, and conducted by men not specially selected for the purpose, but any of the company's workmen who might happen to be detailed by their foreman therefor. Affiant has never had any instructions as to secrecy, nor have any ever been given by him, and he has never known of anything being burned except waste and refuse material.

CHARLES C. HOGAN.

Subscribed and sworn to by said Charles C. Hogan before me this 3d day of January, 1899.

[NOTARIAL SEAL.] H. O. JONES, *Notary Public.*

In the supreme court of Ohio.

THE STATE OF OHIO EX REL. F. S. MONNETT, ATTORNEY-GENERAL, PLAINTIFF, *vs.* THE STANDARD OIL COMPANY, DEFENDANT. } Affidavit. Filed in Supreme Court January 5, 1899.

THE STATE OF OHIO, *Cuyahoga County, ss:*

S. H. TOLLES, of lawful age, being first duly sworn, upon his oath says that he is an attorney at law and a member of the firm of Kline, Carr, Tolles & Goff, attorneys for the defendant in the contempt proceedings herein; that regardless of the orders heretofore made appointing a commissioner before whom parties to this contempt proceeding were directed to take their evidence in this action, the attorney-general, late in the evening of December 19, 1898, served notice upon affiant's firm that depositions would be taken in this proceeding in the office of Harry C. Mason, in the city of Cleveland, on the 21st day of December, 1898, and caused subpœnas to be issued by the said Harry C. Mason, as notary public, for sundry witnesses to appear before him at that time.

That said Harry C. Mason is, in fact, one of the attorneys for the State, being one of the counsel appointed under the provisions of law by the food commissioner and the attorney-general to represent the State in prosecutions brought for violations of the pure-food laws.

That thereupon, at the time fixed in said notice, and over the protest of affiant as such counsel, the attorney-general proceeded to examine witnesses before said Mason, acting as such notary public; that there were present on said day at such hearing Victor Bkorklund, an engineer; Charles Anderson, a foreman; Denman Bolton, a night watchman; C. A. Birch, a night watchman, and Nels Anderson, a fireman, all in the employment of the Cleveland Arcade Company, of Cleveland, Ohio, who were examined upon some supposed theory that some books of the defendant had been burned under boilers of said Arcade Company.

In addition thereto, one Ludwig Darmstaetter, a Bohemian rabbi, was examined by the attorney-general, and testified that, being one evening in a saloon, he overheard some Bohemians talking about hauling papers and books from the Euclid avenue office of this defendant to its works.

There were called by him, also, one Edward O'Hearn, a teamster in the employment of this defendant, and one Cornelius O'Hearn, employed in the car shops of this defendant, to prove that on or about November 19 they assisted in hauling some boxes and sacks of loose paper from defendant's office to the warehouse at its No. 1 works.

The hearing then adjourned to the following day, Thursday. Thursday morning the attorney-general produced Emanuel Pollack, a saloonkeeper, from whom Edward O'Hearn rented rooms, who testified that when O'Hearn, the teamster, returned home on the evening of November 19, being a little late, he said he had been hauling some boxes.

Also a witness, John McNirney, whose testimony occupied about 30 printed pages, testified that on the morning of November 19 he assisted in burning up some books and papers at one of the furnaces of the defendant; went down to the block later in the day and hauled some boxes and sacks of loose paper to the warehouse, and on Monday morning assisted in burning some sacks of loose paper and some of the contents of the boxes in one of the defendant's furnaces. He wound up his testimony with the statement that there was no secret about the transaction; that all the employees of the car shops knew of the burning, and supposed and understood that what was being burned was waste paper. The witnesses further testified that the burning was done in the forenoon, in broad daylight, and in the presence of the hundreds of employees of the defendant's car shops.

At the conclusion of the taking of the testimony of McNirney the hearing was adjourned until 4 o'clock, at which time the attorney-general examined Charles C. Hogan, superintendent of the defendant's No. 1 works, who testified as to the burning of waste paper and impression books, and to the fact that there was nothing unusual in the transaction.

Thereupon, it having appeared in the testimony of the witnesses examined that one Moran, an employee of the defendant, assisted McNirney in the work done by him, and they had been designated for this service by George Field, foreman of the defendant's car shops, and that men named Gabeline, Schaff, and Becker assisted in the teaming of the boxes from the defendant's office to the works, the attorney-general announced that they had been endeavoring to serve these people with

process, but were unable to do so, and would be obliged to adjourn until the next day, Friday morning at 10 o'clock, intimating as usual that the defendant was keeping these witnesses hidden.

Thereupon affiant produced the witnesses Moran and George Field for examination by the attorney-general, and also, having ascertained the names of the firemen at each of the furnaces at which burnings were had, and of the clerk who had superintended the burning at one of the furnaces, Mr. Hogan having superintended it at the other, produced to the attorney-general the two firemen and the clerk in charge, whose name was Stanbury. Gabeline, Shaff, and Becker not then being at work for the defendant, affiant was unable to produce them.

Thereupon, on the morning of Friday, the attorney-general examined the witnesses Field and Moran, but declined to examine the fireman and clerk, who were the only other persons who had anything to do with the transaction directly, but, inasmuch as affiant had failed to get the witnesses Shaff, Gabeline, and Becker, announced that they were the only ones whom he really cared to examine, and the hearing was adjourned until these witnesses could be found.

Thereupon affiant, having ascertained the homes of the witnesses Gabeline and Shaff, sent for them so that they might be examined, desiring that any person who knew anything about the transaction might be accessible to the attorney-general; but on inquiry at the office of Mr. Mason it was learned that the hearing had been adjourned until Saturday morning at 9 o'clock; that upon attending said hearing at said hour it was ascertained that the attorney-general had the night before left the city.

A transcript of the evidence given by the witnesses examined by the attorney-general before the notary public is annexed to and made a part of this affidavit, so that the court may see the character thereof.

Affiant believes that said pretended taking of depositions was not done in good faith, with the design of using same in court, and that none of the matters therein contained are material, relevant, or important to any issue in this action, but believes that the same were taken without design of using them as evidence herein, but merely as a fishing expedition.

That during the taking of said testimony and upon December 22, 1898, at about 10 o'clock, the attorney-general said to the affiant that it was then time to adjourn and go over to the commissioner, who was ready to begin taking testimony. Affiant replied that the defendant had no notice that the taking of any testimony before the commissioner was designed, except as the statement had appeared in the morning paper of that day; that the attorney-general was that morning going to have the books of the defendant produced and examine its officers, and the attorney-general left the office of the notary to attend said hearing. Affiant was not present before the commissioner, but attaches hereto and makes a part hereof a stenographic account of what took place at that time.

S. H. TOLLES.

Sworn to before me by the said S. H. Tolles and by him subscribed in my presence this 3d day of January, 1899.

[NOTARIAL SEAL.] C. H. GALE, *Notary Public.*

The foregoing are the substantial parts of all the evidence given by the witnesses in the matter of burning books.

Consider Monnett's treatment of the facts above recited.

In his testimony before the Industrial Commission on May 16, 1899, with all this evidence known to him, he submitted to the commission only the testimony of McNirney in direct examination,[1] which closed with the question by Monnett in the form of a statement, as follows: "I was informed he could, but we have not been able to subpœna him yet," meaning that they had not at that time been able to get the testimony of Hogan, who, according to McNirney, "could tell more about it than he could."

Is it not clear that Monnett intended to have the commission believe that Hogan had not testified, and that the principal witness to the charge of burning was McNirney, when, as a matter of fact, Hogan testified on the same day that McNirney did, was the next witness, was voluntarily produced by the Standard, and was examined by Monnett? He suppressed that part of the evidence known to him of McNirney, and the evidence of Hogan and Moran, all to the effect that the stuff burned was waste paper and old books, the testimony of Hogan and Moran that such destruction of old books and papers was of frequent occurrence and submitted the first part only of McNirney's testimony, closing with his own question in the form of a statement to the effect that they had not been able to get Hogan, who knew more about the burning than McNirney did. There was in his evidence both suppression of truth and suggestion of falsehood; and now after two years granted for reflection and repentance, thoroughly discredited by the records of the court he represents, he again returns to the charge in his affidavit[2] filed before the commission in June, 1901, pretending he has found new evidence. I leave him face to face with the record that the commission may judge.

JAMES W. LEE.

In relation to the denial of James W. Lee that the Pure Oil Company is a trust,[3] it is only necessary to call attention to his definition of a trust, to wit: "A corporation or combination of corporations intending to create and maintain a monopoly in any industry." Under this definition there are no trusts. Mr. Lee admits that a portion of the stock of the Pure Oil Company is held in a voting trust. I am informed by able lawyers that a voting trust has been held to be illegal as often as the question

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[1] See Vol. I, Report of the Industrial Commission, Part II, pp. 303–306.
[2] See pp. 657–659, this volume.
[3] See pp. 659–660, this volume.

has been raised in the courts, including the highest court of New Jersey, the State in which the Pure Oil Company is organized. I desire also to reiterate my former statement as to approaches to us of many connected with the Pure Oil Company in relation to sale and combination and to say that Mr. Lee's suggestion did include a combination of interests of the competitive pipe lines.

M. L. LOCKWOOD.

My former testimony,[1] which gave statistics and figures in refutation of wild statements of M. L. Lockwood, need only be referred to as an answer to his subsequent affidavit. One point, however, deserves some comment, as certain newspapers have already been misled by Mr. Lockwood's statement. The New York World on June 21, 1901, announced editorially that "affidavits just submitted to the Industrial Commission by M. L. Lockwood, of Buffalo, afford evidence to the effect that at a certain date the Standard Oil combine was shipping its tanks to Germany at 2 cents per gallon, while at the same time it was charging its customers in Texas and Arkansas, where it has no competitors, 25 cents per gallon." This was the substance of Mr. Lockwood's original statement[2] to the commission and it was denied by me. In his last affidavit[3] he reasserts the truth of his former statement and attempts to establish it by showing—

1st. That the independent refineries exported oil, which after deducting commissions and other expenses, netted the refineries something over 2 cents per gallon. This is very far from proof of the assertion that oil is put into tank steamers for Germany at 2 cents per gallon. The wayfaring man, though a fool, should see the difference between a selling price and a net profit. If the independent refineries netted 2 cents per gallon they did remarkably well. Further to sustain the assertion under oath that the monopoly forces the people of Texas to pay 25 cents per gallon for oil burned in their lamps, he produced affidavits from residents of Orange County, Tex., and Orange County, Fla., that the usual price of a 5-gallon can of oil in those counties was $1. Suppose this to be true. How does it show that the monopoly, aided by the railways, forced that price? That was the retail price in a remote section, and how many middlemen's profits had been added to the wholesale price is not shown. Besides, oil transported such a distance in cans is not expected to be the cheapest. It is transportation in bulk that enables oil to be retailed cheaply at distant points. The result of Mr. Lockwood's statement is that neither the Standard Oil Company nor any of its competitors sold oil for Germany at 2 cents per gallon, and that monopoly, backed by railway favoritism, did not force the people of Texas and Arkansas to pay 25 cents per gallon for oil they burned in their lamps.

CHARLES B. MATTHEWS.

In relation to the affidavit of Charles B. Matthews,[4] I need only appeal to the record, which is the only correct evidence as to the facts. Matthews appeared before a committee of Congress in 1888 and swore as in his present affidavit to facts of which the record is the only correct evidence. The Standard Oil Company was not permitted by that committee to put witnesses on the stand to contradict Matthews as to specific statements, but was allowed to put their entire record in evidence. It did so, and it was published in the report of the committee. Those who read it will easily find that there was not in that case a particle of evidence against any member of the Standard Oil Company upon which any court could have held them, and the record, supplemented by the subsequent affidavits of several of the jurors, shows that the Everests were only convicted of enticing away a workman under contract, and that, too, a workman who had been seduced away from them and carried with him the secrets of the Everests's manufactory to incorporate into a rival manufactory.

JNO. D. ARCHBOLD.

STATE OF NEW YORK, *City and County of New York, ss:*

Before me, a notary public in the aforesaid State and city, personally appeared J. D. Archbold, who, being duly sworn, saith the facts above set forth are true to the best of his knowledge and belief. Sworn to and subscribed before me this 20th day of July, 1901.

[SEAL.] WALTER F. LIVINGSTON,
Notary Public.

Kings County certificate filed in New York County.

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[1] See Vol. I, Report of the Industrial Commission, Part II, pp. 506–80.
[2] Ibid., p. 394.
[3] See pp. 651–656, this volume.
[4] See pp. 646–651, this volume.

STATISTICS OF PETROLEUM PRODUCTION.

Presented to the Industrial Commission by W. B. Foster, Pittsburg, Pa.

Total production, in barrels of 42 gallons each, by years, from 1886 to 1900, both inclusive, of crude petroleum, known as Lima oil, in the States of Indiana and northwestern Ohio, and aggregate sum realized for same at average price for each year.

Year.	Production.	Average price.	Total value.
	Barrels.	*Cents.*	
1886	649,881	37½	$243,705.37
1887	5,152,709	15	772,906.35
1888	9,682,683	15	1,452,402.45
1889	12,186,564	15	1,827,989.60
1890	15,078,378	30	4,523,513.40
1891	17,452,612	30½	5,323,046.66
1892	15,867,575	36⅝	5,811,499.34
1893	15,982,097	47⅛	7,531,563.22
1894	17,296,510	48	8,202,324.80
1895	20,236,741	71¾	14,519,861.66
1896	25,255,870	66¾	16,858,293.22
1897	22,793,033	48	10,940,655.84
1898	17,128,897	61¾	10,577,093.87
1899	17,183,804	89⅞	15,442,943.84
1900	18,229,983	98½	17,956,533.25
Total	230,177,337	....	121,984,327.89

STATE OF PENNSYLVANIA,
Allegheny County, ss:

W. B. Foster, being duly sworn, says that the foregoing statement has been compiled by him from the most reliable statistics attainable, and is believed to be approximately correct.

W. B. FOSTER.

Sworn and subscribed before me this 4th. day of March, 1901.

[SEAL.]

JAMES S. CAMPBELL,
Notary Public.

Total production, in barrels of 42 gallons each, by years, from 1859 to 1877, both inclusive, of crude petroleum, known as "Pennsylvania petroleum," in States of Pennsylvania, West Virginia, New York, and eastern Ohio, and aggregate sum realized for same at average price for each year.

Year.	Production.	Average price.	Total value.
	Barrels.		
1859	8,500	$20.00	$170,000.00
1860	650,000	9.60	6,240,000.00
1861	2,118,000	.52	1,101,360.00
1862	3,056,000	1.05	3,208,800.00
1863	2,631,000	3.15	8,287,650.00
1864	2,116,200	8.15	17,247,030.00
1865	2,497,700	6.59	16,459,843.00
1866	3,597,500	3.75	13,490,625.00
1867	3,347,300	2.40	8,033,520.00
1868	3,715,800	3.62½	13,469,675.00
1869	4,215,000	5.60	23,604,000.00
1870	5,659,000	3.90	22,070,100.00
1871	5,795,000	4.40	25,498,000.00
1872	6,539,100	3.75	24,521,625.00
1873	9,893,786	1.80	17,808,814.80
1874	10,926,945	1.15	12,565,986.75
1875	11,987,514	1.24¾	14,954,423.71
1876	9,120,669	2.57⅝	23,497,123.51
1877	13,337,363	2.39⅜	31,926,312.68
Total	101,212,377	....	284,244,889.45

STATE OF PENNSYLVANIA,
Allegheny County, ss:

W. B. Foster, being duly sworn, says that the foregoing statement has been compiled by him from the most reliable statistics attainable, and is believed to be approximately correct.

W. B. FOSTER.

Sworn and subscribed before me this 4th day of March, 1901.

[SEAL.] JAMES S. CAMPBELL,
Notary Public.

Total production, in barrels of 42 gallons each, by years, from 1878 to 1900, both inclusive, of crude petroleum, known as "Pennsylvania petroleum," in States of Pennsylvania, West Virginia, New York, and southeastern Ohio, and aggregate sum realized for same at average price for each year.

Year.	Production.	Average price.	Total value.
	Barrels.		
1878	15,381,641	$1.17⅛	$18,015,772.02
1879	19,894,288	.85⅛	16,935,012.66
1880	26,245,571	.94⅛	24,703,643.70
1881	27,561,376	.85¼	23,496,073.04
1882	30,053,300	.78½	23,591,840.50
1883	23,302,021	1.05⅞	24,671,014.73
1884	23,952,290	.83⅝	20,030,102.51
1885	21,528,621	.88⅜	19,025,918.82
1886	26,603,945	.71⅜	18,988,565.74
1887	22,873,450	.66⅝	15,239,436.06
1888	16,905,890	.87	14,708,124.30
1889	22,349,825	.94⅛	21,036,772.78
1890	30,067,307	.86⅝	26,045,804.69
1891	35,839,777	.66⅞	23,967,850.87
1892	33,425,877	.55½	18,551,361.73
1893	31,362,890	.64	20,072,249.60
1894	30,781,924	.83¾	25,779,861.35
1895	30,959,139	1.35¼	41,872,235.50
1896	33,970,222	1.19	40,424,564.18
1897	35,165,990	.78⅜	27,561,325.19
1898	31,711,857	.91⅛	28,897,429.62
1899	33,050,076	1.29⅜	42,758,535.82
1900	35,664,889	1.35¼	48,236,762.37
Total	638,652,166	....	584,610,257.78

STATE OF PENNSYLVANIA,
Allegheny County, ss:

W. B. Foster, being duly sworn, says that the foregoing statement has been compiled by him from the most reliable statistics attainable and is believed to be approximately correct.

W. B. FOSTER.

Sworn and subscribed before me this 4th day of March, 1901.

[SEAL.] JAMES S. CAMPBELL,
Notary Public.

NATIONAL STARCH COMPANY.

AFFIDAVIT OF W. F. PIEL, JR.,

President National Starch Company.

The National Starch Manufacturing Company of Kentucky was organized in 1890. I was vice-president of that company until 1892, when I was elected president. I remained president of that company until its reorganization into the National Starch Company. Before the organization of the National Starch Manufacturing Company, I was a starch manufacturer in Indianapolis with the William F. Piel Company.

The National Starch Manufacturing Company, organized in 1890, combined some 20 factories at first and after that leased one. In 1900 it was reorganized. Four different factories, up to that time independent of the National Starch Manufacturing Company, were organized into a new company called the United Starch Company. In

1899 these 4 factories had a capacity of about one-third of the capacity of the National Starch Company. In 1900 the National Starch Manufacturing Company and the United Starch Company were consolidated into the National Starch Company, the present organization.

The National Starch Manufacturing Company had an authorized capital of $10,500,000. Of this amount $5,000,000 were common stock, $3,000,000 preferred stock, $2,500,000 second preferred stock. Besides there was an authorized bond issue of $4,500,000. Of this authorized issue there were issued in fact $4,450,700 of common stock, $2,219,400 of first preferred stock, $1,846,800 of second preferred stock, and $4,300,000 of bonds.

In the organization of this earlier company Mr. Chester W. Chapin acted as the promoter. A promoting company, called the Cumberland Investment and Security Company, was organized to buy in the separate plants. I believe, although I was not myself personally engaged in the promotion, that this promoting company bought the separate plants, paying for them in cash and in the various securities mentioned above of the National Starch Manufacturing Company. Although each plant was bought separately, and although the vendors of the different plants were not informed how much was paid for the others, they were each given to understand that the same basis of division as between cash and the various kinds of securities was given to them all. The pay of the promoters was to be taken out of the sum total of the securities issued. No one knew exactly what the sum total was that was paid for the different plants.

Each one of the vendors was also required, in addition to the delivery of his plants, to turn in a certain amount of cash to serve as running capital for the organization. The amount of cash turned in was about the same as the cash received from the promoters in part payment for the plants. The reasons for the formation of the organization were substantially as follows:

(1) There had been among the different plants very severe competition for a number of years. Very many of them were working at less than their full capacity—in many cases producing about half of their capacity. Some half a dozen of them had been closed entirely; some were in the hands of receivers. The best ones were making some money, but not much. In this period of severe competition the poorer plants, feeling the necessity of realizing rapidly on their products, were cutting prices very badly—in many cases down to or below the cost of production. The chief danger to the industry seemed to come from these poorer plants. At the time of the proposed organization, the managers of the best plants did not know fully the exact situation regarding the poorer ones, otherwise they might possibly have found it better to remain outside of the organization and to attempt to drive the poorer plants completely out of existence. There is no question, however, that the producing capacity of all the plants together was considerably beyond the need of the market at remunerative rates.

As soon as the combination was made some of the poorer plants were closed and the business was concentrated into about ten of the best establishments, which were run at their full capacity.

There had been before the organization a surplus of stock on hand, which it was necessary to get rid of. In consequence, for a part of the first year the amount of the output of the new organization was probably less than that of the separate establishments existing before the organization. As soon, however, as this surplus was disposed of, the output was increased to beyond what it had been before, and the entire output has been steadily increasing ever since.

(2) Besides the removal of this ruinous competition, it was expected that many economies could be secured by the combination, especially through the closing of the poorer plants and the running of the others to their full capacity. It was expected that considerable saving could be made in this way in the wages of high-priced men, such as managers, superintendents, chief engineers, etc., inasmuch as one such man was needed for every separate factory, but one could manage a large one about as efficiently as he could a small one.

(3) It was expected, also, that much could be saved in avoiding cross freights. Before the organization the eastern factories, for instance, had been shipping starch far to the West, while some of the western factories had been shipping starch to New York. After the organization, inasmuch as the sales are all made from the central office in New York City, this wasteful expenditure of money for cross freights was entirely avoided.

As has been said, the selling for all of the different plants is all done from the one New York establishment. In like manner the buying of the main supplies is also done from the central office, but local supplies are bought by the managers of the different factories.

(4) There was also a considerable saving in the better organization of the travel-

ing men and of the local agents. There has been a territorial division between different agents, so that cross railroad fares and useless traveling expenses are avoided.

(5) There has been likewise a better concentration of the managing talent of the different superintendents and heads of departments. It is estimated that there has been saved at least one-half of the cost of selling the product.

Speaking generally, there have been higher wages in several departments, but on the whole there can not be noticed much of any change. The wages paid to ordinary hand labor have run from $1.35 to $1.75 per day. The wages now are higher than they were in the years 1888 and 1889, before the organization of the National Starch Manufacturing Company. There would probably have been an advance in wages during the last two years had it not been for the fact that during the period of depression in 1893 to 1895 there was no reduction in wages, but the standard of the years before was steadily maintained.

The prices of starch have been made more profitable to the organization than it was to the individual producers, owing in part to the methods of production, in part to the greater ability to regulate the supply in the market to the normal demand. Before the organization was formed there was frequently a cutting of prices which was very injurious to the trade, owing to the necessity of getting rid of surplus stocks.

The chief disadvantage in industrial combinations, in my opinion, is found in the tendency to overcapitalization. In the National Starch Manufacturing Company there was beyond question an excessive capitalization. Since the reorganization the water in the stock has been considerably reduced, so that at the present time it can not be said that the National Starch Company is overcapitalized.

At the present time the bonds and the preferred stock of the National Starch Company represent substantially the tangible assets. The common stock represents the good will, including the brands and the special processes of the company. Some of the brands are very valuable—the consumers insisting upon securing just those and no others. There are a large number of brands manufactured, but a few have a special popularity.

It must be said that overcapitalization is to a certain extent to be looked upon as a safeguard of the interests of the public, inasmuch as it tends to bring in competition. The effort on the part of a company to pay dividends on its capital stock will naturally lead to a pushing of the prices upward to an extent which brings competitors into the field, and which in this way keeps competition so active that in reality prices will be kept down well toward the lowest margin.

On the whole, however, the industrial combinations have, in my opinion, done good, and, speaking generally, they have reduced prices.

The National Starch Company has a large export business, its market being substantially the world. They sell in practically every civilized country, besides supplying a large proportion of the home market. While in individual cases the foreign prices are cut below the home prices, in order to secure and hold a market, speaking generally this is not the case. Foreign prices are made on substantially the same basis as the home prices, and, on account of the added cost of transportation, range regularly somewhat higher.

The earlier form of the combination, the National Starch Manufacturing Company, produced about 65 per cent of the entire output of the country. Since the last reorganization and the acquisition of the United Starch Company, the National Starch Company produces probably 85 per cent and upward of the entire output of the country.

As a remedy for the abuses of combinations, a reasonable publicity regarding the condition of the business from year to year is advocated. It is recognized that the methods of promotion must in the main be kept secret, otherwise it would be impossible to get any organization at all. Ever since the year 1882, efforts had been made in the starch business to form some kind of an organization that should be able to regulate the supply, but without success, owing chiefly to the jealousies among the individual manufacturers. When the National Starch Manufacturing Company was organized, the promoters found it necessary to keep the purchase price of the separate establishments entirely secret in order to avoid this jealousy among the vendors.

Beyond this reasonable publicity, no further legislation seems advisable.

WM. F. PIEL, JR.

STATE OF NEW YORK, *County of New York, ss:*

I solemnly swear that the above statements made by me of my own knowledge are true, and that all other statements contained therein I believe to be true.

WM. F. PIEL, JR.

Sworn and subscribed before me this 5th day of June, 1901.

[SEAL.]

H. R. WINTERBOTTOM,
Notary Public, Queens County, N. Y.

Average prices of corn and starch from 1890 to 1900, inclusive.

Year.	Corn per bushel.	Starch per pound.	Year.	Corn per bushel.	Starch per pound.
	Cents.	*Cents.*		*Cents.*	*Cents.*
1890	48.1	4.1	1896	34	2.7
1891	70.4	3.7	1897	31.9	2.1
1892	54	3.1	1898	37.6	1.9
1893	49.9	3.2	1899	41.3	2
1894	50.9	3.2	1900	45.3	2.1
1895	47.7	3.2			

GENERAL CHEMICAL COMPANY.

AFFIDAVIT OF MR. J. HERBERT BAGG,

Secretary of the General Chemical Company.

The General Chemical Company was organized under the laws of New York in February, 1899, and began business on March 1, 1899. Its business is the manufacture of heavy chemicals, such as sulphuric acid, muriatic acid, nitric acid, mixed acid for manufacturers of explosives, acetic acid, salt cake, glauber's salt, silicate of soda, bichloride of tin, sulphur in various forms, crystal alum, sulphate of alumina, etc.

When the company was formed it bought the property of 12 previously existing companies, including 19 separate plants. Three other plants have since been acquired. No promoter was concerned in the organization of the company and no underwriting syndicate. The consolidation was effected entirely by agreement among those engaged in the business. An appraisal committee was formed of engineers and manufacturers and it determined the fair cash value of the physical plants. Payment was made for the plants, on this valuation, in preferred stock of the new company at par, but preferred stock was not given for any property on which the owners were not earning at least 8 per cent per annum net profit. By virtue of this restriction some plants were paid for with common stock; not the entire property of any concern, but particular plants for particular branches of manufacture. In such cases the common stock was taken at par in payment for the plants at their appraised valuation. The remainder of the common stock was issued in payment for intangible property of the companies consolidated. Under this head would be included some yearly contracts of sale, of the character customarily entered into by large buyers of chemicals, certain trade-marks, and the good will of the establishments bought. Good will has a higher real value in the chemical trade than in some others. Users of chemicals are accustomed to use the products of particular makers. They are loath to make a change, because they are not sure of obtaining the same results from the products of other makers. An established trade has, therefore, a distinct value. The valuation of the intangible property was based, in part, upon the net earnings of the several constituent companies for 5½ years before the consolidation. The estimated value of intangible property, and the issue of common stock based on it, had no fixed relation to the estimated value of tangible property and the issue of preferred stock. The company started with an ample working cash capital and without any bonded or floating debt.

The hope of diminishing the severity of competition was one of the motives which led to the formation of the General Chemical Company, but the main reason was the expectation of effecting economies in production and sale. Considerable economies have, in fact, been realized. The greatest gain was the economy in production, due to the control of the manufacturing department and of the buying from the central office. While the details of both buying and selling are managed by the branch or district offices, of which there are about a dozen, a general control is maintained at the central office, and large contracts are made there. An appreciable saving in the cost of raw materials is effected through buying for all our plants together.

A considerable saving in cross freight rates on our heavy goods is effected. The company gains by the common use in all its plants of certain patents and improved processes. The manufacture of goods under certain trade-marks at other factories than those to which the trade-marks formerly belonged has been found practicable to some extent, and has been a source of saving through the diminution of freights on such trade-mark goods. This policy has not, however, been applied to any con-

siderable extent. The number of salesmen is practically the same as before consolidation. It is expected that a saving may hereafter be effected by closing some of the smaller and less efficient plants. This has not yet been possible, because a strong demand has compelled us to make full use of all our facilities.

The company is so far from having a monopoly that it would not be possible for it materially to raise the price of its products, even if it desired. It does not make 50 per cent of the amount made in the United States of any one of its products. Its actual policy has been to reduce the margin between the cost of raw material and the selling price of its goods. The selling price has in some cases gone up, but this has been because of advances in raw materials. Our yearly contracts of sale in some cases provide for alterations of selling prices to correspond with variations in prices of raw materials. At the same time that we have diminished the margin between materials and finished products, representing the manufacturing cost and profit, we have improved the quality of our goods. We have made large investments in improved apparatus and are attaining a higher standard of purity.

The corrosive nature of acids and acid gases that enter into the composition of practically all our chemicals obliges us to use large quantities of platinum and gold as well as lead and expensive iron apparatus in all our construction, and the yearly repairs form a large item in the manufacturing cost—in some cases the major item.

We expect to build up a considerable export business. Our foreign sales are made on practically the same basis of prices as our domestic sales. The only noticeable difference is in the prices charged for packages. Many of our packages, such as barrels, drums, and carboys, are charged for, and are returnable in the domestic trade, at the prices charged. We habitually charge somewhat more than the actual first cost of such packages in order to obtain a contribution toward damages and repairs; though the whole cost of packages is not by any means covered by the charges. Packages sent abroad do not have to be taken back, and we can well afford to charge somewhat less for them than for those put out in the domestic trade.

Wages have been very generally increased since the establishment of the company. Our workmen are, for the most part, not mechanics, but they are men who have long been engaged in their particular work, and have acquired a skill in it. We can afford to pay them, and do pay them, more than they could earn at any other employment. We do not make frequent changes of workmen. There are no labor unions among our employees.

The tariff has very little effect upon our business. Foreign goods competing with ours are not likely to be imported under ordinary conditions. Our special facilities for transportation, especially our tank boats and tank car lines, make it practically impossible for foreigners to compete with us. Yet America might occasionally be made the dumping ground for the surpluses of foreign manufacturers, and it is as a protection against this possibility that the tariff is chiefly of value to American manufacturers of heavy chemicals.

State of New York, *County of New York, ss:*

I solemnly swear that the statements made in this affidavit of my own knowledge are true, and all other statements contained therein I believe to be true.

J. Herbert Bagg.

Subscribed and sworn to before me this 17th day of May, 1901.

[seal.] Chas. W. Millard,
Notary Public, New York County.

[Extract from the prospectus of the General Chemical Company.]

About $7,500,000 preferred and $7,500,000 common stock will be issued for the business and plants of the above concern upon the following basis:

Ninety per cent of the preferred stock will be issued at par for the appraised value of tangible property of constituent companies, but no preferred stock will be issued for property upon which the previous owners were not earning at least 8 per cent per annum net profit. A working capital of $750,000 has been provided by the vendors, each subscribing at par for additional preferred stock to an amount equal to 10 per cent of the valuation of its tangible property, payable in cash.

The common stock will be issued at par for the entire value of the intangible property of the vendors in proportion to their earning capacity as ascertained by the Audit Company, of New York.

It will be seen by the foregoing that the stocks of the General Chemical Company have been issued upon the basis of actual values and earning capacity of the constituent companies; that no stock has been given as a bonus to an underwriting syndicate, and no commission has been paid to promoters.

The aggregate net earnings of the constituent companies for the year 1898 were over $1,000,000, and it is expected that economies in manufacture, administration, and distribution will largely increase the annual net profits.

Quarterly dividends at the rate of 6 per cent per annum will be paid upon the preferred stock, commencing July 1, 1899.

The company has an ample working cash capital, provided as before stated, and has no bonded or floating debt.

The balance sheet of the company as of December 31, 1900, certified by Messrs. Barrow, Wade, Guthrie & Co., public accountants, is as follows:

Assets:	
Manufacturing investment at cost	$12,195,688.03
Investments in other corporations	2,309,554.14
Merchandise on hand, at factory cost	1,285,267.25
Accounts receivable	865,047.51
Cash	325,726.19
Unexpired insurance premiums, stamps, etc	19,351.16
	17,000,634.28
Liabilities:	
Capital stock—	
Preferred	8,260,000.00
Common	7,167,900.00
Accounts payable	559,727.91
Dividends accrued	123,900.00
Surplus	889,106.37
	17,000,634.28

[Statement to stockholders of the General Chemical Company, February 1, 1901.]

The financial results of the operations of this company for the year ending December 31, 1900, have been, on the whole, satisfactory. They are as follows:

Surplus on books December 31, 1899		$478,710.17
Net profits for the year 1900		1,258,945.54
		1,737,655.71
Less dividends paid to stockholders:		
Preferred	$493,715.00	
Common	285,364.00	
		779,079.00
		958,576.71
Less charged off plant account		69,470.34
Balance transferred to surplus account December 31, 1900		889,106.37
During the year we have expended in construction and betterments		688,896.74

We have also acquired 3 new plants.

We have naturally felt the falling off in the activity of the consuming trade of the country as compared with the last few months of 1899. This has been compensated by increased economies and not by higher prices, in accordance with the policy outlined in our first report. Our present condition for economical production and distribution is better than ever, and the organization is complete and harmonious.

NATIONAL ASPHALT COMPANY.

AFFIDAVIT OF MR. ARTHUR W. SEWALL,

Secretary and Treasurer of the National Asphalt Company.

The business of the National Asphalt Company, or of the subordinate companies which it owns and controls, is the importing and refining of asphalt, and the sale of it for paving purposes, for paints, varnishes, roofing, reservoir lining, insulating, etc. One of the constituent companies, the Manhattan Trap Rock Company, quarries and crushes and sells rock for paving and similar purposes.

The Asphalt Company of America, the principal company subordinate to the National Asphalt Company, was incorporated on June 28, 1899. It was a consolidation of the majority of the concerns interested in asphalt paving, including the New York and Bermudez Company of New York, the Barber Asphalt Paving Company of West Virginia, the New Trinidad Lake Asphalt Company, Limited, of London, and the Alcatraz Company of West Virginia. I was not interested in the Asphalt Company of America. I was connected with the Pennsylvania Asphalt Paving Company, which did not go into the Asphalt Company of America on account of a failure to agree on terms.

The National Asphalt Company was incorporated on August 1, 1900, and began business on January 1, 1901. It bought nearly all the stock of the Asphalt Company of America, all the stock of the Pennsylvania Asphalt Paving Company, all the stock of the New Jersey Mexican Asphalt Company, owning asphalt properties in Mexico; all the stock of the Manhattan Trap Rock Company, a majority of the stock of the Gilson Asphaltum Company, and the titles to certain asphalt deposits in Venezuela. The National Asphalt Company, through its subordinate companies, handles probably 85 or 90 per cent of the asphalt sold in the United States. It sells considerable quantities to independent paving companies. Its subordinate companies themselves do perhaps 75 per cent of the asphalt paving in the United States.

No promoter was concerned in the formation of the National Asphalt Company. Consolidation was arranged between the principal owners of the Asphalt Company of America and the owners of the smaller companies absorbed. The several stockholders exchanged their stock in the subordinate companies for stock and collateral gold certificates of the National Asphalt Company. The National Asphalt Company is not an operating company. Its property is almost exclusively in the stocks of other corporations. There was some slight opposition to the consolidation on the part of a minority of the stockholders of the Asphalt Company of America. An attempt was made to prevent the consolidation by action of the courts, but it was unsuccessful. All the stock of the Asphalt Company of America has now been exchanged for the stock of the new company except a trifling amount, less than one-third of 1 per cent. The exchange has been more complete than such operations usually are.

When the Asphalt Company of America was formed it gave its 5 per cent collateral gold certificates in exchange for the stock of its constituent companies, and secured the certificates by deposit of the stock bought. Thirty million dollars of these certificates were issued. The Asphalt Company of America also issued 600,000 50-dollar shares of stock, not as paid up, but subject to call. An assessment of $5 a share was made at the time of issue, and a second call of $5 afterwards. This made $6,000,000 of actual cash paid in by stockholders. The National Asphalt Company issued $6,000,000 of collateral gold certificates, secured by deposit of the shares of the Asphalt Company of America. It offered to the shareholders of the Asphalt Company of America for each share, on which $10 in cash had been paid in, $10 in the new 5 per cent collateral gold certificates and $7 in full-paid preferred stock and $10 in full-paid common stock of the National Asphalt Company.

The National Asphalt Company issued 71,000 shares of its preferred stock, par value $3,550,000, and 102,000 shares of the common stock, par value $5,100,000, for the acquisition of 2,500 shares of the capital stock of the Pennsylvania Asphalt Paving Company, constituting the entire issue; 14,000, out of the entire issue of 23,750, shares of the common stock of the Gilson Asphaltum Company of New Jersey, par value $1,400,000; 1,000 shares, constituting the entire issue of the capital stock of the New Jersey Mexican Asphalt Company, par value $100,000; 5,000 shares, constituting the entire issue of the stock of the Manhattan Trap Rock Company, par value $500,000; approved titles to 3 asphalt deposits on the east shore of Lake Maracaibo, Venezuela, known as "El Mene," "Tembladar," and "Lagunillas." These properties were owned by and sold to the National Asphalt Company by the same vendors. I am not informed as to the basis of division of the securities issued in payment therefor.

The $30,000,000 paid by the Asphalt Company of America in its collateral gold certificates for the stock of its constituent companies is believed to have been the fair cash value of the properties. The property is of such a character that its value is largely speculative and can not be positively fixed. This is because of the important position which the deposits of asphalt, owned or controlled, hold among the assets of the company. The Barber Asphalt Paving Company alone, however, one of the companies owned by the Asphalt Company of America, has assets of a cash value of $9,500,000; and it owns no interest in the deposits of asphalt. The $4,200,000 preferred stock and the $6,000,000 common stock of the National Asphalt Company, which was given in addition to the $6,000,000 collateral gold certificates in exchange

for the stock of the Asphalt Company of America, represented the value of the organization and good will of the Asphalt Company of America as a going concern. In a technical trade like ours, I consider that this established organization, with the acquired skill and experience that go with it, has a great value.

The principal reason for the consolidation was perhaps the desire to diminish the severity of competition. It is true that the principal asphalt companies were still able to make a profit in their business, but a condition of things seemed to be approaching in which prices would be cut to cost or lower. A second important consideration was the desire to effect important economies by unified management. The various corporations overlapped each other territorially in their operations. There might be three or four asphalt companies operating in a town. Three or four plants might be maintained there more or less continuously. A single plant could do all the work, and do it far more economically. Fifty-eight corporations are now included under the control of the National Asphalt Company. A large number of them have been eliminated as active organizations. The number of employees has, by this means, been greatly diminished; not the actual number of workmen on the street, but in some degree the number of superintendents, and in a far greater degree the office force. The diminution of the number of competing corporations has also made it possible to diminish the number of men who attend lettings and look after the securing of contracts; but this item is of less importance.

Another important gain by consolidation is the increase of the foreign trade. The National Asphalt Company is able to push this business with an energy which smaller organizations could not put into it. The mere increase of business which results from pushing the trade in foreign countries reduces the pro rata cost of mining, shipping, and refining, and enables all the work of the company to be done with less pro rata expense. The prices of work in foreign countries are substantially on the same basis as those in the United States. It is difficult to make comparisons between European and American prices, or even between prices in different cities in the United States. Comparisons are complicated by different methods of laying and by different periods of maintenance under the contracts.

I believe our pavements are superior to the rock-asphalt pavements heretofore laid in European cities. They are less hard and less slippery. Besides this, experience has taught us to add certain ingredients to the mixture of asphalt and rock or sand, which add to the durability of the pavement. The European asphalt is a natural impregnation of rock with bitumen, while ours is an artificial mixture. The rock asphalt is subject to economical difficulties, on account of the necessity of transporting the whole weight of the rock employed, while we have to transport nothing but the asphalt. We obtain the broken stone and sand at any convenient place near the point where the pavement is laid. Beds of rock asphalt similar to those quarried in Europe are found in various places in the United States. There are hundreds of square miles of sandstone impregnated with bitumen in Kentucky. There are similar deposits in Indian Territory, and also limestone with bitumen impregnation. In Utah and California there are whole hills of bitumen-impregnated sandstone.

In California asphalt is also obtained by distillation from petroleum found there which has an asphalt base. In the process of distillation, however, the asphalt is heated to a temperature of 700 to 800 degrees. This seems to set up a change which is injurious to the character of the asphalt. It is a fact, at any rate, that the asphalt obtained from distillation of petroleum is harder and less serviceable than that which does not require distillation. It may be used on the Pacific coast, where the changes of temperature are slight, with fair success, but wherever there is a great difference of temperature between winter and summer, if it is made of such a consistency as to endure the summer heat it will crack in the winter.

The prices of asphalt paving have not been raised in consequence of the consolidation. They vary with local conditions and requirements; but we are doing work at lower rates, if anything, than last year, and the volume of business has increased. A considerable amount of latitude in regard to prices is necessarily left to local managers, though the general policy is controlled, as far as possible, from the central office. The cost of paving in New York City and vicinity was materially reduced by the coming into the market of one of our constituent companies. There was a combination in this vicinity on broken stone which held up the price to $1.40 a yard. The Manhattan Trap Rock Company was formed by persons interested in the Pennsylvania Asphalt Paving Company. It opened up a quarry in Rockland County, and put broken stone on the market, with the result that the price has gone down from $1.40 to 75 cents since 1897.

The consolidation had no noticeable effect on wages. In every instance wages are as good as before, and in some cases they are better. Wages are a shade higher on the whole than 10 years ago or 5 years ago.

The tariff does not directly affect the asphalt business, except as it increases the cost of pavement to the people of the country. I see no sound economic reason for the duty on asphalt. It is, of course, paid by the cities that have the paving done, and by other consumers. I do not think, however, that the amount of it is great enough to diminish materially the use of asphalt pavement, or to cause other pavements to be substituted for it.

I have not observed any disadvantages resulting from consolidation. As a general principle I believe that union is better for business men, for laboring men, and for all. Almost all our work is done by union labor. Cooperation conserves force and is advantageous to society, though the power of consolidation may be abused, either by the workingmen or by the employers. Our relations with labor organizations are very friendly, and I believe in them as well as in combinations of business men.

I give below a table showing the wages paid by the Barber Asphalt Paving Company to foremen and other experts in various cities during the month of August, 1900. The wages paid to common laborers by this company are from $1.50 to $1.75 a day; though in some western cities, such as St. Paul and Sioux City, in the fall, it has been necessary to pay as much as $2 a day for ordinary labor. The men who get $1.75 are picked men, generally used on the concrete boards.

Wages paid to foremen and other experts, August 31, 1900.

City.	Street foremen.	Yard foremen.	Roller engineers.	Rakers.	Tampers.	Smoothers.
Allentown	$3.50	$3.00	$3.00	$2.00 to 2.25	$1.75 to 2.00	$1.75 to 2.00
Boston	2.50 to 4.00	3.00	3.50	2.00	1.75	1.75 to 2.00
Buffalo	3.50	3.50	2.50 to 4.00	2.00	2.00	2.00
Chicago	2.50 to 3.50	3.50	3.50 to 4.00			
Detroit	3.50	4.00	2.50 to 3.50			
Elmira	2.50 to 4.00	3.50				
Fort Wayne	2.50 to 3.50					
Harrisburg	2.50 to 4.00					
Jersey City	4.00	4.00	3.00 to 4.00			
Kansas City	3.00 to 4.50	4.00	3.00 to 4.00			
Lincoln	4.00					
Long Island City		4.00 to 4.50				
Louisville	4.00	3.50	3.00			
Newark	2.50 to 4.00	4.00	3.00 to 4.00			
New Orleans	5.00	2.50	3.00	2.00	1.75	1.75
New York:						
Manhattan	3.50 to 4.00		3.50	2.25	2.00	1.75
Bronx	5.00	3.50	4.00	2.25	2.50	2.50
Omaha	4.00	4.50				
Petersburg	3.50 to 5.00	3.50	4.00			
St. Paul	3.33 to 5.00	4.00	3.00	2.25 to 2.50	2.00 to 2.25	
Scranton	4.00					
Sioux City	2.50 to 4.00	3.00	3.00			
South Bend	2.50 to 5.00	4.00	2.50 to 3.50	2.25	2.00 to 2.25	2.25
St. Joseph	2.50	2.50				
Topeka	3.00					
Wabash	3.50	5.00		2.25	2.00	2.00
Washington		4.00				

STATE OF NEW YORK, *County of New York, ss:*

I solemnly swear that the statements made in this affidavit of my own knowledge are true, and that all other statements contained therein I believe to be true.

A. W. SEWALL.

Subscribed and sworn to before me this 14th day of May, 1901.

[SEAL.]

VICTOR E. SCHAUMBURG,
Notary Public, Kings County.

EXHIBIT.

The following extracts from the charter of the National Asphalt Company are appended:

Seventh. The corporation may use and apply its surplus earnings or accumulated profits, including the amount authorized by law to be reserved, to the purchase or acquisition of property and of its own capital stock, and may purchase and acquire bonds, debentures, collateral certificates, or other obligations issued or guaranteed

by it from time to time, to such extent and in such manner and upon such terms as its board of directors shall determine; and neither the property nor the capital stock, bonds, debentures, collateral certificates, or other obligations so purchased or acquired, nor any of the same taken in payment or satisfaction of any debt due to the corporation, shall be regarded as profits for the purposes of declaration or payment of dividends, unless so determined by a majority of the board of directors or a majority of the stockholders. * * *

The board of directors, from time to time, shall determine whether, and to what extent, and at what times and places, and under what conditions and regulations, the accounts, books, and records of the corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right of inspecting any account or book or document of the corporation, except as conferred by statute or authorized by the board of directors or by resolution of the stockholders.

AMERICAN COTTON OIL COMPANY.

AFFIDAVIT OF MR. JUSTUS E. RALPH,

Secretary and treasurer of the American Cotton Oil Company.

The American Cotton Oil Company was organized under the laws of the State of New Jersey in October, 1889. The entire amount of capital stock issued and outstanding is as follows: Preferred stock $10,198,600, common stock $20,237,100; and there are at this date in addition $3,000,000 gold debenture bonds; making the aggregate capitalization $33,435,700. The original issue of bonds was $4,000,000, of which $1,000,000 in amount was paid and canceled prior to November 1, 1900.

The valuation of the tangible property (land, buildings, machinery) and assets on August 31, 1891, was $15,773,936; and the valuation at that date of contracts, leases, patents, processes, brands, goodwill, etc., was $19,104,978. On August 31, 1900, the valuation of tangible assets had increased to $17,949,863, and the intangible assets above enumerated had been reduced in valuation to $17,074,124.

Dividends of 6 per cent (3 per cent semi-annually) have been paid upon the preferred stock continuously since June, 1892; and during the past 3 years dividends upon the common stock have been paid annually, the common-stock dividends averaging 3½ per cent per annum for the period named.

The business of the company is the crushing of cotton seed and the manufacture and sale of the resulting products. Of these the oil is the most important, closely followed in value by the cotton-seed cake and meal. The company and its affiliated companies manufacture and sell various other products, including cotton linters, hulls, hull ashes, lard, lard compound, cottolene, bath and laundry soaps, and washing powders. The volume of business done by the company has steadily increased since its organization, though, owing to the increase in the number of mills, the relative proportion of the entire cotton-seed business of the country done by this company is less than at the time of organization. This company not only sells the product of its own crushing mills, but also buys products of other mills, refining the oils thus purchased and distributing them through its selling department.

The American Cotton Oil Company owns a refinery and other property in New Jersey, but the greater part of its assets consists of the capital stocks of subordinate companies. It owns the capital stocks of companies operating cotton-seed crushing mills in the several States throughout the cotton belt, and of others operating oil refineries, lard plants, and soap factories; the companies being, with some exceptions, incorporated under the laws of the States, respectively, in which their manufacturing plants are located. The buying, selling, and manufacturing are managed by the officers of the respective companies.

Centralized organization produces important savings in both buying and selling, and increases the commercial standing and importance of the company by reason of the volume of business transacted. It also has advantages in the facility with which important processes of manufacture are made more widely effective. There is, of course, some disadvantage in the conduct of a business in which the manufacturing units are so widely separated, but on the whole the advantages of consolidation largely outweigh the disadvantages.

The tariff is not a very important factor in the business of this company, inasmuch as the raw material used is all of home growth, and the products when exported are

not subject to United States tariffs. The tariff does raise the price of some things used in the business, but not to a very important degree.

State of New York, *County of New York, ss:*

I solemnly swear that the statements made in this affidavit of my own knowledge are true, and all other statements contained therein I believe to be true.

Justus E. Ralph.

Subscribed and sworn to before me this 20th day of May, 1901.

[seal.] Alphonse Franconi,
Notary Public.

STANDARD MILLING COMPANY.

AFFIDAVIT OF MR. THOMAS A. McINTYRE,

Director of the Standard Milling Company.

The Standard Milling Company is the largest milling organization in the world, although it controls only a small fraction of the milling business of the United States. Its mills are equipped to grind over 175,000 bushels of wheat daily. It also produces specialties in cereals, such as Hecker's oatmeal, buckwheat, and self-raising flour foods.

I first became interested in the milling business in 1892, when I organized the Hecker-Jones-Jewell Milling Company. In this company we combined 5 mills in New York, Brooklyn, and Staten Island, making all the flour ground in New York City. One was established in 1830, another in 1843, the youngest in 1855. I personally bought all these companies and sold them to the new or combined company. No one of the old concerns knew what any other one got. In some cases I paid more for a plant than would have been justified by its previous earnings, because I took account of the value of having it in such a combination. On the whole, however, I did not pay, and the new company did not pay me, more than the previous earnings of the plants justified. The Hecker-Jones-Jewell Milling Company issued $3,000,000 preferred and $2,000,000 common stock, besides $2,500,000 bonds. The real estate and buildings, water fronts, and wharves, exclusive of machinery, were appraised at $3,004,000. The machinery, fixtures and appliances, merchandise and stores on hand, together with cash in bank, were valued at $2,800,000. Valuable patents and brands were also acquired, which were not included in this valuation. The average net profit of the companies consolidated, for the previous 5 years, was over $500,000 per annum.

In April, 1899, I formed the United States Flour Milling Company by consolidating the Hecker-Jones-Jewell Milling Company with mills at Duluth and Superior, Minneapolis, Milwaukee, Buffalo, and Syracuse. I followed the same methods as in forming the Hecker-Jones-Jewell Milling Company. In some cases, however, in this instance, I bought the capital stock of existing corporations, whereas in forming the Hecker-Jones-Jewell Milling Company I bought the plants in every case, and not corporate organizations. In the case of the United States Flour Milling Company, as in the earlier case, I considered that the aggregate capitalization did not exceed the fair value of the properties, on the basis of their previous earnings. The United States Flour Milling Company issued $5,000,000 preferred and $3,500,000 common stock, together with $7,500,000 bonds, an aggregate of $16,000,000. The real estate, machinery, water power, docks, etc., were appraised at $10,500,000; the personal property, brands, trade-marks, and good will at $4,250,000, and a working capital of $1,250,000 cash was provided. The stock was all issued to me, and I bought the plants on such terms as I could.

The principal reason for forming each of these consolidations was the hope of effecting certain economies. One of the chief of these is gained through the ability to make flour under a particular brand at the mill where it can be made and sold most economically. For instance, the Hecker-Jones-Jewell Milling Company has two mills which are on the water front and others which are not. The mills on the water have an advantage of 10 cents per barrel on flour for export. After the mills were combined under one company the brands of all of them could be produced for export purposes at the water-front mills. By the larger combination, the United States Flour Milling Company, the same advantage is obtained in a much higher degree. A large expenditure for cross freights is saved, and, besides, any brand of the company can be made at the point where wheat is, for the time being, cheapest.

A saving in the cost of selling has been effected. The number of traveling men employed is smaller in proportion to the business transacted. Probably the actual number is not smaller, as the business has greatly increased.

The buying is done by the manager of each separate group of mills; 1 at New York, 1 at Duluth and Superior, 1 at Minneapolis, 1 at Milwaukee, 1 at Buffalo, and 1 at Syracuse. The selling is done in the same way.

The superintendents get higher salaries than they got before the combination was made. Wages have been increased since the Hecker-Jones-Jewell Milling Company was formed; but that company began business just about the time of the industrial depression of 1893. I believe that the tendency of the combination has been to keep the men more steadily employed. Every flour mill has to shut down from time to time for repairs and for other purposes. When any mill of this company is shut down, a part of the force is shifted to another mill, and so is able to work uninterruptedly.

On the whole, the cost of manufacture has been reduced by the combination of interests. The net profits have not, however, been increased. It has not only been impossible to increase the margin between the price of wheat and the price of flour, but competition has compelled us to reduce the margin as the cost of manufacture has diminished.

Experience developed the fact that the United States Flour Milling Company had not sufficient working capital to handle its business properly. On this account it has recently been reorganized under the name of Standard Milling Company. This company issued $6,900,000 5 per cent noncumulative preferred and $4,600,000 common stock, with $5,750,000 5 per cent bonds, an aggregate of $17,250,000. The Standard Milling Company has about $1,000,000 more cash capital than the United States Flour Milling Company had. The properties controlled are the same as those of the United States Flour Milling Company.

I hold the results of the combination of business interests, in general, to be altogether favorable. We have only seen the beginning of this development, and we have not begun to realize the beneficial results that will flow from it. The only difficulty is to get men big enough to handle the big businesses.

I am not inclined to favor a national incorporation law. The conditions of different States seem to me to require different methods. The watering of stock should be checked by law, restricting the capitalization to the actual value of the properties; but in my opinion that law should be State, not Federal, law.

THOMAS A. McINTYRE.

STATE OF NEW YORK, *County of New York, ss:*

I do solemnly swear that the foregoing statements, so far as they are made of my own knowledge, are true, and that I believe all the others above set forth to be true.

THOMAS A. McINTYRE.

Snbscribed and sworn to before me this 10th day of May, 1901.

[SEAL.] L. B. HOWE,
Notary Public 124, New York County.

EXHIBIT.

Prospectus of the Standard Milling Company.

The Standard Milling Company was organized under the laws of New Jersey to acquire, through the reorganization committee, the United States Flour Milling Company and its allied companies. The reorganization committee has announced the completion of its work, and the securities of the Standard Milling Company are issued and distributed in accordance with the plan of reorganization, which plan as amended and carried out by the committee, was established upon drastic and conservative lines; the interest charges, including the sinking fund on its first-mortgage bonds, having been reduced to a minimum.

Bonds and stocks.

(1) *First-mortgage 5 per cent.*—Thirty-year gold bonds, $5,750,000, dated November 1, 1900; due 1930; interest coupons payable May 1 and November 1, with provision for a sinking fund of $45,000 per annum; bonds $1,000 each.

(2) *Five per cent non-cumulative.*—Preferred stock, $6,900,000. The holders of preferred stock shall be entitled, out of any and all surplus or net profits, to receive non-cumulative dividends, whenever the same shall be declared by the board of directors, at the rate of, but not exceeding, 5 per cent per annum for each and every fiscal year before any dividend for such fiscal year shall be declared, set apart for, or paid upon any other stock of the corporation; with provision, however, that after paying a dividend of 5 per cent to the preferred stock, also a sum equal to 1 per cent of the outstanding preferred stock has been paid to a sinking fund to retire the preferred stock, and a dividend of 5 per cent in any year to the common-stock holders, an additional dividend of 1 per cent on the preferred stock is to be paid before any further amounts are paid to the common-stock holders for that year.

In addition thereto, in the event of the dissolution or liquidation of the corporation, the holders of the preferred stock shall be entitled to receive the par value of their preferred shares before anything shall be paid upon the common stock out of the assets of the corporation.

(3) Common stock, $4,600,000.

Total capitalization, $17,250,000.

The flour business is known to be one of the most substantial and permanent industries in the United States. It is not adversely affected by hard times, nor is it influenced by good times. Flour follows the price of wheat in the market, and the proprietors of mills under good management are satisfied with a manufacturer's profit—a steady income.

The Standard Milling Company is the largest flour-milling concern in the world, and it is in charge of men of the highest financial and commercial standing. This is a rare instance in the reorganization of properties, where all the members of the committee of reorganization, after one year's work and familiarity with the business, are satisfied to become directors and officers of the new company, and be responsible for the further management and administration of its affairs.

AMERICAN FISHERIES COMPANY.

AFFIDAVIT OF MR. N. B. CHURCH,

Vice-president and manager of the American Fisheries Company.

Prior to January 1, 1898, the Northern branch of the menhaden industry was carried on by 20 different concerns, situated as follows: State of Maine, 4; State of Massachusetts, 1; State of Connecticut, 2; State of Rhode Island, 2; east end of Long Island, 5; Barren Island, 1; Jersey coast, 2; State of Delaware, 3.

These different concerns worked independent of each other, and operated anywhere from 1 to 8 steamers each and a few small sail gear.

From the beginning of the season (about May 1) to the end of the season (about November 10) each of these plants was in operation.

With the formation of the American Fisheries Company (January, 1898) the plan of operation was changed. The American Fisheries Company purchased 17 of the above-mentioned plants. The plan as arranged by the management was to direct the policy of each plant in such a way as to utilize the plants where the fish were found in the greatest quantities and to cease running a factory when the fish were too far from the factory to conveniently transport them.

With this object in view the plants were so arranged that if the fish show in the vicinity of any one the plant can be operated. One factory in Maine, 1 in Massachusetts, 1 in Rhode Island, and 3 on Long Island were dismantled and the machinery, etc., used to increase the capacity of some of the other factories.

Catching.—Under the old arrangement each concern sent out its boats to the fishing ground. If the fish were located a long distance from the factory, the steamers would go after them, and when loaded bring them to the factory which was owned by the owner of the steamer making the catch. Following this method it can be readily understood that in some cases when the fish were located far from the factory the steamer could only make 1 or 2 catches in a week, while other steamers, whose headquarters were in the vicinity of the fish, might load up every day.

After consolidation the plan was to have the steamers land their fish at the factory nearest to the place where the fish were caught. This plan is beneficial because of the fact that by delivering the fish to the factory as soon after catching as possible,

a better quality of oil and guano is produced, and the steamer can immediately return to the fishing ground, without losing 2 or 3 days in travel, and catch the fish at less expense.

Manufacturing.—While the industry was carried on by different concerns, each manufacturer had his own ideas and methods of manipulating the fish. This of necessity resulted in making many different qualities of product. Two factories situated side by side might catch their fish from the same locality, and under the same management would have produced the same quality of oil and guano, but on account of the difference in rendering the fish the product of these concerns would be entirely different.

By consolidating the several factories under one general manager, new and improved machinery was introduced and a uniformity of method adopted, which necessarily resulted in producing merchandise of an even quality when made from the same quality of fish.

Selling.—While working as independent concerns, the selling of the product was conducted by a selling agent, appointed by the manufacturers. While this plan was the best that could be pursued under the existing circumstances, it had its disadvantages. The buyer invariably desired the merchandise from the manufacturer whose product suited him the best. This worked to the benefit of some and to the detriment of others. Another disadvantage was the financial standing of the various manufacturers. Some one of them, being in urgent need of money, would sell under the market price, and the effect of this would be that the buyers, having purchased enough for immediate requirements, would wait until some other manufacturer had pressing needs before making another purchase.

Consolidation has again come to the relief and put things in such a condition that the management can enter into a contract for the sale of its entire product, and as the buyers realize that there is only one channel through which they can make their purchases, there is no waiting for some one to become embarrassed before entering into an agreement to buy.

Uses.—The oil manufactured is used chiefly for stuffing and dressing leather, tempering steel, making rope, and for compounding with other greases. After pressing the oil out of the fish, the refuse, or fish scrap, which contains considerable ammonia and bone phosphate of lime, is either dried or cured with acid, and mixed with other materials, and used extensively as a fertilizer.

General.—The menhaden is a migratory fish, and is found only along the Atlantic coast and its tributaries, from Maine to the Gulf of Mexico. It is a surface fish, and appears in great schools from about June 1 to November 1; but no one can tell when it will appear, or where it can be caught at any particular time.

The menhaden seem to breed in the waters tributary to the Chesapeake Bay, and the fishermen there catch great quantities of small fish not more than one-eighth grown; these small fish are seldom found in the open sea.

The Fisheries Company was formed in January, 1898, and purchased the factories, steamers, and good will of the majority of the northern plants. These factories and steamers were thoroughly overhauled and equipped with the latest improvements, thus enabling the company to transact a large amount of business at a minimum expense ratio. The Fisheries Company handles a little more than half of the total catch of menhaden. While the business of the Fisheries Company has increased, the business of the outside companies has increased in like manner, especially those in the Chesapeake Bay.

The prices of the products have increased owing in a large measure to the method of selling the goods. This increase of value has been equally beneficial to the outside manufacturers, as it has enabled them to take advantage of the rising market caused by the Fisheries Company's selling their entire production in the early season, which takes them off the market, leaving it entirely in the hands of the outsiders.

The Fisheries Company built a new plant at Port Arthur, Tex., where it handles the fish caught in the Gulf of Mexico. They have no plant on the Chesapeake Bay, as that comes under the jurisdiction of the Virginia laws, which exclude all but citizens of the State.

The company has also established its own boiler shop, machine shop, and ship yard, and does almost all of its own work in these lines, thus giving employment to a large number of men.

The captains of the steamers receive a bonus on their catch of fish in lieu of salary. All the other employees receive a salary gauged according to the capacity in which they are employed and the degree of efficiency displayed. The company has facilities to take care of from 50,000 to 60,000 barrels of fish in a day of 10 hours, which is more than double the capacity of the combined plants at the time they were transferred.

Tariff.—Owing to the fact that fish oil is produced in foreign countries, where the rate of wages is much less than that paid by us, it would not be possible for us to make oil at a profit if the duty of 8 cents per gallon on oil was taken off. The duty of 8 cents per gallon about equals the difference in the rate of wages, without being prohibitory to the foreign oils.

Trusting this report is about what you require, I remain, very truly,

N. B. CHURCH.

STATE OF NEW YORK, *County of New York, ss:*

I solemnly swear that the statements made in this affidavit of my own knowledge are true, and that all other statements contained therein I believe to be true.

N. B. CHURCH.

Subscribed and sworn to before me this 27th day of May, 1901.

[SEAL.] JESSE STEARNS,
Notary Public.

UNITED STATES LEATHER COMPANY.

AFFIDAVIT OF MR. LEWIS H. LAPHAM,

Vice-president of the United States Leather Company.

The United States Leather Company was incorporated on February 25, 1893, under the laws of New Jersey, to carry on the manufacture of leather and business incident thereto. The establishments which were united in this company were engaged almost exclusively in the manufacture of sole leather, and this branch of tanning has continued to be the principal business of the company. Some harness leather is manufactured, but no upper leathers or lighter products. The buying of timber land for the purpose of securing the bark is naturally incident to the tanning business. The company owns a large amount of land acquired in this way, and owns and operates some sawmills for utilizing the timber on it.

The company was formed by the union of 25 or 30 firms, of which 2 were corporations and the remainder were partnerships. The number of actually separate interests was much smaller, as in many cases different tanneries were owned by different partnerships, of which the individual members were substantially the same. All the properties of the concerns united were bought by the new company. In most cases these properties are held directly in the name of the United States Leather Company. In some cases subordinate corporations were formed, which own the property and whose stock is owned by the United States Leather Company. This was necessary in some cases on account of State laws which forbid ownership of real estate by a foreign corporation.

No promoter was concerned in the formation of the company, and no underwriting syndicate, so far as stock was concerned. The stock was all taken by the previous owners of the property, and none was offered to the public. There was an issue of $6,000,000 6 per cent debentures which was offered to the public, and was underwritten by a syndicate. The debentures were issued to obtain working capital. No cash was paid for the properties acquired. The transaction was simply an exchange of property for stock.

In 1892 there seemed to be an overproduction of sole leather, and the larger tanners tried to get together and restrict the output. An oral agreement was made to stop wetting hides for a certain period. The agreement was doubtless kept literally, but when the time was up the tanners all pushed their operations so much harder that no permanent effect was produced. When the idea of an agreement or a union was first broached, in 1892, it was not thought possible to arrive at any equitable basis of valuation by which a union could be effected. Sole-leather tanning is essentially a backwoods business, and the greatest advantage for a tannery is accessibility of bark. The hemlock tanneries all held "bark rights" or bodies of bark land, which made the question of determining values a complicated one. The basis finally adopted for the valuation of the tanneries themselves was that of vat capacity. This was assumed to determine possible production, and all the owners finally agreed to accept an amount based on the capacity of their vats. Standing timber was taken at so much per estimated cord of bark on the tree. Bark in the yards and other stock

on hand was taken at cost. For every $100 worth of actual property, $100 of preferred stock and $100 of common stock was issued. The whole amount of both kinds of stock was issued in this way to the previous owners of the property, except $600,000 of common stock, which was issued to the bankers who underwrote the bonds, in payment for their services. The preferred stock represented the fair cash value of the physical property, according to the standards agreed upon among the owners. The common stock represented the good will of the going business. The men who formed the consolidation had been the successful men in the tanning trade. They had established businesses which they had devoted many years of successful work to building up. They believed that the good will of these businesses had a very substantial value; and my opinion is that they all expected the common stock, which would be entitled to all the profits of the business after paying 8 per cent on the preferred stock, to be worth more than the preferred. This expectation has been disappointed. The common stock has thus far received no dividends, and the preferred stock had not received the dividends due to it by about 34 per cent up to January 1, 1901.

The establishments which united in the present company were doing perhaps one-half of the sole-leather business of the United States. I do not think that the proportion has greatly changed. It is impossible to determine closely the aggregate amount of business done by outside tanneries. The great bulk of the outside tanning is done by about 50 concerns, but there are a great many smaller tanneries which work now on one kind of leather and now on another, and whose aggregate output is considerable and can not be closely estimated. The number of small tanneries is probably less, however, than it was 10 years ago. The tendency is toward concentrating the business in the larger concerns.

The chief saving effected by the consolidation has been the introduction of the best methods in all the tanneries. When the establishments were separate, one plant might be using a process by which the labor cost was brought very low, while its methods might be extravagant in the consumption of bark. Another plant might have a process which was very economical of bark, but might have a high labor cost. The company has tried to select the best method in each respect and to apply it in all its establishments.

Another means of increasing the efficiency of methods is the more active and systematic experimenting which the company carries on. The company employs its regular chemists, a thing which an individual tannery could not afford to do. But laboratory results are not always paralleled when methods which have been experimentally tried in the laboratory are tried in actual practice. The individual tanner can hardly afford to experiment. It takes from 5 to 8 months to convert a lot of hides into leather. An independent tannery could not risk damaging its output for half a year in the hope of a doubtful gain. Hence tanners have been almost of necessity conservative. But the United States Leather Company, with its large number of tanneries, can afford to undertake an experiment in one of them. Experiments are, in fact, made more readily and more freely, and important advances in methods have been made in consequence of them. Great improvements have been made in the methods of extracting the tannin from the bark and applying it to the hides. Better leather is produced, and at lower cost.

Another important saving is in the using of all bark at the tannery to which it is most convenient. The transportation of bark is exceedingly expensive in proportion to its value. It is our aim to supply every tannery with bark from within a radius of 20 or 30 miles. When the tanneries were independent each got bark where it could or where it happened to acquire bark rights, and they often reached into each other's territory, to their mutual loss. It might seem that the cost of the transportation of bark might be saved by extracting the tannin and shipping the extract. This is done to some extent; the company uses some bark extract. It uses it, however, only in connection with liquor made directly from the bark. It has not been found possible in practice thus far to get good results from a liquor made entirely from extract. Moreover, the tanneries use the spent bark for fuel, and if they did not have it they would have to buy coal.

A slight saving in the cost of selling has been made, since fewer traveling men are employed in proportion to the size of the business; but this was never an important item of expense. A greater saving has been made by diminishing the number of warehouses.

Administration would seem to be more expensive for the consolidation than for the individual concerns, if one judged by the books. This is because the partners in the old establishments did not habitually draw salaries, but took their pay altogether in the form of profits. It is hard to say whether this apparent increase of

administrative expense represents an actual increase or not. I believe that the management is more efficient than it was before the consolidation. Even then the most of the tanneries were not managed by resident owners. The larger firms had each several plants, and it might happen that none of the owners lived at any of them. Stricter systems of control have been adopted by the consolidated company. An accurate account of the results of the operation of each tannery is kept, and a competition between the superintendents for good results is obtained. Supervision is closer than before. The consolidated company, with its large force, is able to detect errors sooner and more accurately than any smaller establishment could. It is possible to apply the experience of a large number of men at any point where there is trouble. The tanning business is one in which no man can possibly know all that is to be known. Leather at a particular tannery may come out defective, and the local manager, no matter how good a tanner he may be, may never have seen anything like it, and may have no idea of the cause. Another man, without being a better tanner, may have passed through that particular experience and may know how to remedy the trouble. If a difficulty arises which the man on the ground does not know how to meet we try to find some one who does know how to meet it. The value of our methods is shown by actual results. I believe that our leather is better and more uniform in quality than that which our tanneries made when they were independent.

The company does not have any special freight rates, or any rates other than those in the published tariffs. Our goods are perhaps not such as the railroads would be most likely to make discriminations on. Hides and leather are a very high class of freight, because they are very valuable, and bark is shipped only short distances. It is true that cut rates on hides were common a few years ago, especially from western points; this seems to be done away with now.

This company is so far from having a monopoly of its line of business that it would not be able to squeeze the public on prices if it desired. I think the organization of the company has tended to keep prices steadier and to diminish fluctuations. It is possible that the desire to earn dividends may tend to make the managers more conservative when the question is one of cutting prices down to a point where there is no profit. In the old days when we worked for ourselves, and not for stockholders demanding dividends, we kept doing business and kept our tanneries running whether there was any money in it or not. But net profits have certainly not been greater since the consolidation than they were before, and I believe that the economy of management has not been less. This in itself may indicate that the margin between the cost of hides and the cost of leather has not, on the whole, increased.

There has been no change in wages which can be attributed to the formation of the United States Leather Company. The company was formed just about the time of the crisis of 1893. During the hard times of 1893 and 1894 there was a general reduction of wages. Wages have now been put back, however, to about the point they stood at in 1892.

The tariff duty on hides is a serious handicap on our business. We get a drawback if we export the leather; but about a year passes between the importation of the hides and the exportation of the leather, and it takes about 6 months longer to get the drawback. So we lose the interest for a year and a half on the amount of the duty, and the amount is very large. On December 31, 1900, our books showed drawbacks due to the amount of about $200,000, and of course this covered only drawbacks on leather which had already left the country. Moreover, a large percentage of the imported hides are not exported; and if the tariff accomplishes its purpose—and I think it does in this case—it increases the price of domestic hides by the amount of the duty. This, again, increases the amount of capital necessary for the business.

Canadian tanners buy South American hides, have them landed at Boston or Portland, and send them through the United States in bond. We have to meet the Canadian tanners in the same European markets. Their European trade is growing steadily; that of the tanners in the United States is not. Before the Dingley tariff was passed we did not consider Canada a competitor in European markets. We were able to get hides on the same terms as they, and we could hold our own with them. We can not do it under the present tariff.

When the company was first formed we experienced some difficulty on account of the public prejudice against combinations. This feeling seems to have passed away. I believe that the organization of the company is distinctly an advantage to the buyers of its products. They can get any amount of leather, of any quality and weight, at any time, and the quality is uniform. If it were not for the consolidation a large buyer would have to pick up his leather at several different tanneries, and when he got it he could not depend upon uniformity or quality. I believe that the people

we deal with appreciate these advantages, and that the company stands high in the estimation of those who come in contact with it.

LEWIS H. LAPHAM.

STATE OF NEW YORK, *County of New York, City of New York, ss:*

I solemnly swear that the statements made in this affidavit of my own knowledge are true, and all other statements contained therein I believe to be true.

LEWIS H. LAPHAM.

Subscribed and sworn to before me this 24th day of May, A. D. 1901.

[SEAL.]

ARPAD VON BARBER,
Notary Public, City and County of New York, No. 17.

EXHIBIT.

Statement to the stockholders of the United States Leather Company.

The board of directors of the United States Leather Company submit to the stockholders the annexed statement of the company's assets and liabilities as of December 31, 1900, and based on inventory of that date:

ASSETS.				
Cash		$2,140,132.77		
Due by customers		4,841,287.08		
Bills receivable		47,494.71		
Doubtful debtors, valued at		39,015.49		
Sundry other debtors and book accounts		133,863.62		
Hides and leather on hand and in process of tanning		8,647,476.76		
Drawbacks due		199,127.07		
Bark at tanneries		1,157,203.80		
Sundry personal property		161,424.76		
Advances to other companies		13,725,399.20		
Tannery plants and lands		7,005,872.30		
Stocks of other companies[1]		35,446,231.77		
Railroad mortgage		100,000.00		
Treasury stock		100,000.00		
Unexpired insurance policies		34,544.00		
Good will account and organization expenses			$62,819,886.45	
		73,779,073.33	62,819,886.45	$136,598,959.78
LIABILITIES.				
Accrued interest		$57,600.00		
Current accounts		130,918.59		
Exchange (not due)		1,449,970.59		
Bonds	$7,480,000.00			
Less in treasury	2,200,000.00			
		5,280,000.00		
Preferred stock		62,269,800.00		
Common stock			$62,869,800.00	
Surplus—as January 1, 1901		4,540,870.60		
		73,729,159.78	62,869,800.00	$136,598,959.78

NEW YORK, *February 27, 1901.*

AMERICAN BICYCLE COMPANY.

AFFIDAVIT OF MR. GEORGE POPE,

Vice-president of the American Bicycle Company.

The American Bicycle Company was incorporated on May 12, 1899. Its business is the manufacture of bicycles and automobiles. It bought the property of 48 concerns which had been engaged in making bicycles and bicycle parts. It did not buy the stock of previously existing corporations, but took conveyance of their real estate

[1] Represented by tannery plants, sawmills, railroads, bark, timber and lands in fee, bark contracts, bark at tanneries, personal property—betterments to stock in process of tanning—cash, and sundry debtors, equal in value to amount stated.

and personal property. The organization of the company was the work of Mr. A. G. Spalding. He personally bought the properties from the previous owners on such terms as he could make by private arrangement and sold them to the American Bicycle Company.

The amount paid by Mr. Spalding for each plant was a private matter between him and the former owners, and was not known to the owners of the other plants. I believe, however, that the method and terms of payment were similar in all cases. The owners received in each case 30 per cent of the appraised value of their property in cash, or, at their option, in 5 per cent debenture bonds of the American Bicycle Company, at 92½; 30 per cent of the appraised value in preferred stock of the American Bicycle Company, and 50 per cent in common stock. Speaking roughly, the debentures and preferred stock represented the physical assets of all kinds, and the common stock represented the intangible assets, including patents, good will, etc.

The plants were appraised for the purpose of purchase by the American Bicycle Company by the American Appraisal Company, of Milwaukee, and their value fixed at more than $9,000,000. The books, accounts, bills receivable, etc., were gone over and valued by a chartered accountant who had been auditor of the National Board of Trade of Cycle Manufacturers, and their value fixed at more than $7,500,000. All these valuations were made as of the date of the last annual inventories of the several companies, which were generally made in the later months of 1898.

The plants were taken over by the new company near the end of 1899. The net earnings, made in the interval, were estimated at over $3,500,000. This sum, added to the estimated values of the properties at the times of the last inventories, gave an estimated cash value of the total assets of more than $20,000,000. The authorized capital of American Bicycle Company is $35,000,000 preferred and $45,000,000 common stock, of which has been issued $10,000,000 preferred and $20,000,000 common stock, and there has also been issued $10,000,000 5 per cent 20-year debentures. The debentures were underwritten at 92½ and were taken at that rate by the underwriters, so far as they were not taken in payment for property bought. When the promoter had turned over to the sellers of the property so much of the preferred and common stock as was required by his bargains with them, the remainder was left in his hands as profit.

The earnings of the properties before consolidation were stated to have been, in 1895, about $5,119,000; in 1896, about $7,763,000; in 1898, about $3,329,000. The net profits for 1899 were estimated at $3,894,000.

The chief reason for desiring the consolidation was perhaps the great increase of competition in the trade. The business had been very profitable up to 1895, and in that and the following years a great number of new people embarked in the business. Many of them had no adequate capital. They went into it expecting to make up their machines and sell them and get their money back in 2 or 3 months. They found that this could not be done. They were pressed for money, and they or their competitors were compelled to throw their machines on the market and get cash out of them, even if they got no profit. It is true that the strongest concerns in the trade still made some money every year, but with the constant and increasing cutting of prices a condition was approaching in which it was feared that even the strongest could make no profit. There was no cohesion in the trade as there is in some older trades. There had been a bicycle board of trade, but it had gone to pieces. Competition was of the cut-throat order. No doubt the example of the combinations that were forming in all kinds of business had also a great influence on the course of the bicycle makers.

There are, however, important direct savings which the consolidation of ownership and management has effected. Important and expensive patent suits were pending between the different manufacturers. The introduction of community of interest with common ownership put a stop to much patent litigation. There was also some further gain in permitting valuable patents owned by any one concern to be applied by all.

There is an important saving in administrative expenses from the diminution of the number of officers. Each factory had formerly its complete executive organization, usually a president, a vice-president, a secretary, and a treasurer. These officers are all replaced now by a single manager; the full executive organization exists only at the central office. All buying is concentrated in the hands of one officer and his assistants; this not only saves energy and expense, as compared with the former system of independent buying for each plant, but it also enables the company to get the very lowest prices. There is a further saving in carrying a smaller aggregate quantity of supplies than was formerly carried by all the factories together. Centralized management of distribution makes this possible. By this means interest and depreciation of stock on hand are saved.

Concentration of manufacturing activity has reduced the actual cost of production. The company has closed 8 bicycle plants, besides turning 2 from the production of bicycles to the production of automobiles. At first thought it may seem that this saving is gained at the expense, in some degree, of the men formerly employed at the closed plants; but I am confident that if the American Bicycle Company had not been formed quite as many plants would have been closed through the failure of the companies which owned them. Moreover, while it is true that the men at the plants which have been closed had to go into other employment, the plants have been sold or leased and are used for other purposes, and men are still employed there. Without regard to this consideration, I believe that about as many days' work is given in a year by the American Bicycle Company as were given by its predecessors. The employment is steadier. Before the consolidation there was much temporary shutting down on account of the excessive capacity of the plants. The factories would run full, and perhaps work overtime in the winter, but during the summer they would be almost idle. We have not been able to altogether do away with this condition, but are trying to make arrangements so that we can run pretty steadily throughout the year. Steady running is better for the employer as well as for the employee. If a factory turns off a large part of its force in the spring or early summer, it can get back only a part of the old men in the fall. It has to take on new men and teach them, and teaching new men is an expensive and wasteful business.

The expense of selling has been considerably reduced by the consolidation. The American Bicycle Company advertises freely; but on account of the enormous size of its advertising contracts is able to get very low rates, even lower rates than the Pope Manufacturing Company and the Gormully & Jeffery Manufacturing Company obtained, and they bought advertising at lower rates than any others established in the business. There has been some diminution of the number of traveling men. The company now employs in the busy season about 85 per cent of the number employed before the consolidation.

I believe that the efficiency of management is higher than before, because it is the policy of the company to pay good salaries and to select the best men and hold them. There is a manager at the head of each factory, and a manager at the head of each of the nine sales departments. The factory manager is responsible for the production of goods. He has absolute authority in running the factory. He makes his record on economy of running, together with the quality of goods turned out. The sales manager receives goods assigned to him from certain factories, the selling prices being determined by the board of directors. He hires his own salesmen and conducts the sale of his own goods. He makes his record on the quantity of goods sold. The company makes comparison of the results obtained at different factories, and bases upon the results an estimate of the efficiency of the several managers.

There has been no change during the last 2 years in the price of "agency goods;" that is, bicycles which are marketed through established retail agencies. On jobbing goods there is a tendency to stronger prices. The cutting of prices which resulted from the severe competition has been stopped. The company, however, still makes its special lines of goods at special low prices for mail-order houses.

I suppose that the American Bicycle Company sold about 65 per cent of all the bicycles sold in the United States in 1900; but this is scarcely more than a guess. There are many small shops which buy a few parts and put together a few bicycles during the winter, 5, 10, 50 or 100. The aggregate amount of this kind of manufacture is considerable, but it can not be closely estimated.

Our export trade is attaining considerable importance. The bicycles exported are mostly of the better grade, and many of them have even better and more expensive equipment than is used here, and on this account are sold at actually higher prices. In general our export prices are based substantially on wholesale prices in this country.

There has been no general change of wages since the American Bicycle Company was formed. The executive officers have taken no action on the subject, but have left it entirely to the local managers. The subject of trade unions has been treated in the same way. Even when the local managers have consulted the central office on this point they have been told that their attitude toward labor organizations is considered to be a matter for their own determination in their character as managers. Some of our shops are union and some are non-union.

The tariff has no effect upon our business that we are conscious of. We would not turn a hand over to prevent the repeal of the duty on bicycles.

The automobile business is in such an undeveloped state that very little can be said upon it. The manufacture of automobiles is conducted by this company in separate factories, and the selling of them is also confided to separate agencies.

George Pope.

STATE OF NEW YORK, *County of New York, ss:*

I solemnly swear that the statements made in this affidavit of my own knowledge are true, and that all other statements contained therein I believe to be true.

GEORGE POPE.

Subscribed and sworn to before me this 20th day of May, 1901.

[SEAL.]

FRANCIS G. COATES,
Notary Public, Kings County.

OTIS ELEVATOR COMPANY.

AFFIDAVIT OF MR. WILLIAM D. BALDWIN,

President of the Otis Elevator Company.

The Otis Elevator Company was formed under the laws of New Jersey in November, 1898, to manufacture elevators and hoisting machinery. The company bought the property of 11 companies, which were doing 80 or 85 per cent of the elevator business in the United States. I think the proportion of the total business done by the Otis Elevator Company has rather increased since its organization.

I was myself the promoter or organizer of the new company. I had been for many years in the business, and was treasurer and general manager of Otis Brothers & Co., the principal concern in the trade. I personally bought the property of each of the existing companies by private arrangement, and sold the combined properties to the new company. The terms of purchase of each concern were, however, known to the others. Since the arrangements were all by private agreement, there was no committee of appraisal or similar machinery. No stock was offered to the public, and, therefore, there was no underwriting syndicate. I personally agreed to sell some of the stock to about a dozen people. Payment was made for all the plants in stock exclusively, except that one was paid for in cash. Each selling company received an amount of preferred stock which was believed to represent the fair cash value of the physical property. Common stock was given in addition, in the proportion of one and one-half shares of common to one of preferred, in payment for intangible property, including patents, trade marks, brands, and good will. The prosperity of an elevator business is largely dependent on good will; that is, on an established reputation. It is very difficult for a new concern to establish itself and get business in the face of a long existing institution with a well-known name. People do not readily make experiments in buying apparatus to which thousands of people are to trust their lives. The most of the companies which the Otis Elevator Company bought out had been a considerable number of years in business and had acquired reputations which had a very great value.

One of the principal economies effected by the consolidation results from the specialization of the work at the different plants, and the building of particular types of machinery in larger lots. Twenty-five machines of a particular type at one time and place can be built much cheaper than 5. By a rearrangement of the manufacture in this way it has been possible, without sacrificing excellence of construction or safety, to lower the cost of production. Only one factory has been closed, but each is confined, so far as possible, to particular specialties. The business as a whole has grown, and this also has enabled us to make fuller use of the facilities of each plant.

I believe that the number of traveling men is about the same as before the consolidation; but the same number of men handle a business about 20 per cent larger.

The common use of patents previously owned by single establishments has been of advantage to the consolidation, but the principal advantage gained in connection with patents is the stopping of litigation. This had been an important source of expense.

Our prices since consolidation have been no higher than the prices charged before consolidation by Otis Brothers & Co. They have undoubtedly been higher than some of the prices which were made by some of the other companies. I believe, however, that this increased price has been accompanied with an improvement in the quality of the goods.

Our exports are assuming considerable proportions. Our machines which go abroad are shipped chiefly to the Otis Elevator Company, Limited, of London, a separate, although allied, organization. We bill the machines to this company on about the same basis of price as to our selling offices in the United States; that is, at

a price which includes a fair manufacturing profit. Our policy throughout is to separate the department of sales from that of manufacturing, and to credit the merchandising profit to the one and the manufacturing profit to the other. We have no control over the prices charged to consumers by the Otis Elevator Company, Limited, of London. The elevators exported are of a cheaper grade than those sold in the United States. They are slow moving, not over 100 feet a minute, while those used in this country generally move from 200 to 600 feet per minute. The cars are also cheaply constructed so far as matters of appearance go.

We have numerous offices throughout the country engaged in selling our products and buying the necessary material.

There has been no noticeable change of wages per day since the Otis Elevator Company was formed, but we are just putting all our factory men on the 9-hour basis, with the same daily wages which were formerly paid for 10 hours. The attitude of the company toward labor organizations is entirely friendly. The condition of our shops in regard to organizations of labor is not, however, uniform. Some of the shops are union and some are not. A large part of our men belong to the International Association of Machinists, and many of the men engaged in erection belong to the local unions of their trades. Our relations with the unions are very pleasant, and all our men are free to join the unions or not, as they please. The company belongs to the National Metal Trades Association, and I believe the best hope of industrial peace is in the establishment of organizations of employers and organizations of workmen. If all the employers in any particular business and all the workmen in the same business were organized, all controversies would be speedily settled fairly, and no one employer or workman would profit at the expense of his fellows.

The tariff does not affect the business of our company in any way that we are conscious of.

State of New York, *County of New York, ss:*

I solemnly swear that the statements made in this affidavit of my own knowledge are true, and that all other statements contained therein I believe to be true.

Wm. D. Baldwin.

Subscribed and sworn to before me this 17th day of May, 1901.

[seal.] M. H. Brady,
Notary Public.

ORFORD COPPER COMPANY.

AFFIDAVIT OF MR. R. M. THOMPSON,

President of the Orford Copper Company.

The Orford Copper Company is engaged in the refining and selling of nickel and copper. I am the sole owner of the stock, except 20 shares, which are held by 4 other persons, in order to enable them to qualify as directors. I have no interest in any nickel mine. There is no nickel mine in the United States which is now productive. My works for the refining of nickel are on New York Harbor. I have a branch establishment in Canada, for treating low-grade materials and bringing them to a higher grade. The Orford Company has existed about 20 years. The business was established under the name of the Orford Nickel and Copper Company in 1877. My company is not the result of a combination, and is not in a combination with any other concern.

There is only one other refiner of nickel in the United States—Mr. Joseph Wharton, of Philadelphia. Mr. Wharton formerly owned a nickel mine at the Delaware Water Gap, but this mine is no longer productive. He is now dependent on the same sources of supply as I. Nickel ore is brought to the United States from Canada, New Caledonia, and Norway.

In 1899 and 1900 the consumption of nickel increased enormously, along with the consumption of iron and steel. At the same time there was a great falling off in the supply from the source which is most accessible to the United States. The Canadian mines had almost entirely supplied the United States market. Certain mines in Canada fell off largely in their production; development work has been pushed since, and I anticipate a renewed supply from Canada, though a sufficient amount of ore to supply the demand is not yet in sight. In the meantime we are dependent on the New Caledonian and Norwegian ores. The freight on ore from New Caledonia fully

doubled from 1898 to 1900, partly as a result of the wars in South Africa and China. This also was a temporary condition, and the freight is now not much higher than in 1898. It contributed largely, however, to the increased cost of nickel in the United States in 1900.

Mr. Charles J. Harrah, in his testimony[1] before the Industrial Commission, complains of an increase in the price of nickel which affected him in the spring of 1900, and which he regards as arbitrary. The circumstances which I have mentioned indicate in part why the cost of nickel to the refiners was far greater in the spring of 1900 than a year or 2 years earlier. Other things worked in the same direction. Coke cost me 60 per cent more in the spring of 1900 than in the spring of 1899, and coal 35 per cent more. In reality, however, the primary cause of the increased price is an enormous increase of demand, far outrunning the supply. The increase which Mr. Harrah complains of was up to 40 cents, though, if he is correctly reported, he said, by mistake, 42 cents. At the present moment the price of nickel in large quantities is 50 cents, and I have none to sell at any price. Both Mr. Wharton and I are far behind in deliveries on all our contracts except on those with customers who supply the United States Government. We protect them at all hazards and to the exclusion of everyone else.

The facts in the case of Mr. Harrah are, that he buys nickel on yearly contracts, as most large buyers do. Up to April, 1900, he had been supplied on the terms of a contract made in the preceding spring. He had not kept track of the market. The market price rose to 40 cents, at least as early as January, 1900. When the time came to renew his contract, and he was told what the price was, it came to him as a surprise. Neither this price nor the price of nickel at present is the result of any combination or agreement. I wish particularly to correct Mr. Harrah's statement that the price of nickel is determined in London by an international combination. In reality there are at least 4 competing sellers in England and at least 5 on the Continent—in France, Germany, and Austria. These dealers are entirely independent, and so far as I know, there is no combination between any 2 of them, or between any of them and the American refiners. So far from being bound together by any agreement, they are engaged in throat-cutting competition. The relations between them are strained. So far as the price of nickel in this country is determined by anyone, it is determined by Mr. Wharton and me. My relations with Mr. Wharton are very friendly, and we often consult together about business. There is no agreement between us, however, as to the amount to be sold or as to prices, except that at times I sell him partially refined nickel and at times buy refined nickel from him. Each of us is perfectly free to sell any amount, at any price, to anybody. We do not control the whole United States market; a considerable amount of nickel is imported. The ores used by foreign refiners come from the same mines as those used by us, except that we monopolize the Canadian product.

State of New York, *County of New York, ss:*

I do solemnly swear that the statements contained in this affidavit, so far as they are made of my own knowledge, are true, and that all other statements contained therein I believe to be true.

Robert M. Thompson.

Sworn to and subscribed before me this 9th day of May, 1901.

[seal.] W. I. Thompson, *Notary Public.*

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[1] See Report of the Industrial Commission, Vol. 14, pp. 349–358.

THE BAKING POWDER COMBINATIONS.[1]

AFFIDAVIT OF D. J. KELLEY,

President of the National Health Society.

County of New York, *ss:*

D. J. Kelley, being duly sworn, deposes and says:

I reside at the Plaza Hotel in the city of New York. My business is that of publisher. I am president and the principal stockholder of a corporation owning and publishing a monthly magazine called "The American Queen," and have been actively engaged in the business management and conduct of this magazine for many years past.

For several years I have been interested in the pure-food problem, and have made a study of the subject. Such time as I have had, free from the demands of my publishing business, I have largely devoted to attracting public attention to the gravity of the situation presented by the increasing adulterations of food stuffs and in furthering the passage of pure-food bills in the various States. In order to render more effective my work in opposition to the manufacture and sale of adulterated food stuffs, and to interest others in the work, the National Health Society, of which I am the president, was organized in October, 1900.

For the past 2 or 3 years my attacks upon adulterated food stuffs have been largely directed against alum baking powders, and I have been interested in the movement that has spread through nearly all of the States of the Union in favor of the enactment of pure-food laws, prohibiting the use of alum baking powders on the ground that they are poisonous and that their continued use is a menace to public health.

Inasmuch as the Royal Baking Powder Company has since its organization waged war upon the use of alum in baking powders, one of the favorite weapons of the alum interests before the numerous legislative committees, where they have had to defend themselves, has been to charge that I have been employed by the Royal Baking Powder Company to present and push the case against the alum powders, and that the National Health Society is identical with and supported by the Royal Baking Powder Company.

It is not true that I am, or have been, employed by or connected with the Royal Baking Powder Company, or that the National Health Society has ever received a dollar from that company.

The National Health Society is an association incorporated under the laws of the State of New York. Its scope and purposes are set forth in the certificate of incorporation filed in the office of the secretary of state on October 2, 1900, and in the office of the clerk of New York County on the following day, as follows:

"Sec. II. The purposes for which this corporation is to be formed are to carry on the business of publishing and circulating throughout the United States pamphlets, periodicals, books, and other forms of literature relating to and designed to promote the use of pure food and to discourage the manufacture, sale, and use of adulterated articles of diet, and to collect evidence of and to assist in every lawful manner prosecutions for violations of the laws of the several States of the United States in relation to the manufacture, sale, and use of adulterated articles of diet."

Ever since the organization of the National Health Society its principal office has been located at 31 East Seventeenth street, New York City, where are employed a corps of stenographers, proof readers, and clerks engaged in distributing the pure-food literature issued by the society. Three sample bulletins, to wit, Nos. 21, 22, and 44, issued by the society, are hereto annexed, marked Exhibits 1, 2, and 3, respectively.

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[1] See pp. 364–406.

Bulletin No. 21 is a list of the names and addresses of 160 prominent physicians of the State of Missouri who have placed themselves upon record as condemning the use of alum in food in any form. Appended to the list are scores of letters from prominent physicians of that State giving their reasons for condemning the use of alum in baking powders or in any other food stuffs, and pointing out the injurious effects of its use. The material for the bulletin was obtained by the editor of the Medical Record, of St. Louis, in July, 1900, as the result of a suggestion made by me to him that he publish in his journal a request that his readers communicate to him their sentiments on the subject of the use of alum baking powders. This pamphlet was distributed throughout the State of Missouri by the National Health Society as an answer to the efforts of the alum baking-powder manufacturers to procure a repeal of the Missouri pure-food law, in which the alum was classed as a poison and its use in baking powders or in any other form of food was prohibited under severe penalties.

Bulletin No. 22, giving a list of the fraudulent, poisonous, and deleterious adulterants used in foods, and also commercial frauds not poisonous, was made up from a report of the United States Agricultural Department, and not only includes alum but every other poisonous and deleterious adulterant used in what are known as "sophisticated food stuffs." This bulletin was generally distributed by the National Health Society, particular efforts being made to get it before members of the various legislatures considering pure-food bills, and to bring it before the constituents of members of the legislatures who had placed themselves on record as opposed to the use of adulterants in foods, regardless of the complaint of special interests.

Exhibit No. 3, a pamphlet entitled "English Food Laws Prevent the sale of Baking Powders Containing Alum," is a record of 64 recent cases of prosecutions in England under the "Sale of food and drugs act." This pamphlet has been widely circulated by the National Health Society among the members of the legislatures of our various States.

These 3 bulletins are fair samples of the work the National Health Society has been doing along this line. The funds for carrying on this work have been supplied partially by myself and partially by the contributions of that class of our fellow citizens to whom every similar institution, such as the Society for Prevention of Crime, commonly called the "Gerry Society," the Civil Service Reform Association, the Merchants' Association, and others, must look.

Another line of work of the National Health Society, and one which will be more strongly developed as the society increases in strength and as its influence widens, is the advocacy before legislative committees and State health boards of the enactment of pure-food laws in the States where they do not already exist, and the enforcement of regulations against adulterants in foods in the States in which such laws have been passed.

Thus far the work of the society along this line has consisted, in addition to the above-described work in Missouri, in retaining eminent counsel to appear before legislative committees in the States of New York and Massachusetts, in order to meet the arguments advanced before such committees by the special interests concerned in the proposed prohibition of the use of food adulterants.

In view of the misleading character of the testimony given before the Industrial Commission by Mr. A. C. Morrison,[1] representing the alum baking-powder interests, relative to the origin of the pure-food bills in those two States at the last session of the legislature thereof, relative to the connection of the National Health Society therewith, and relative to the character of the testimony given in favor of prohibiting the use of alum in baking powders, I propose briefly to state the facts in each case, for the action of two such States as New York and Massachusetts is too important to be misrepresented and misunderstood.

In the State of New York at the last session of the legislature a pure-food bill was introduced, calculated to render more effective the pure-food laws already enacted, and to widen the scope of the State's laws against adulterated food stuffs. Included in the prohibitions against use in connection with food stuffs, in the eighth paragraph of the bill, were arsenic, calomel, bismuth, salts of copper, salts of zinc, and salts of aluminum, the last named being a prohibition aimed at alum baking powder, in which, as is well known, are contained a large proportion of aluminum salts.

It was charged before your honorable body that this section was surreptitiously introduced into the bill, and it was plainly intimated that the entire bill, including this section, originated with interests hostile to alum baking powders for business reasons and not because of the character of the ingredients. In this connection it is pertinent to state that when the bill came up before the senate committee on agriculture, on Tuesday, March 12, 1901, Mr. George L. Flanders, the deputy commissioner

[1] See pp. 364-386.

of agriculture, addressed the committee as follows (I quote from the stenographer's minutes of the hearing):

"MR. CHAIRMAN: This bill was prepared in our office; prepared because we believed it was right. It has been truthfully stated that the eighth section was not in the bill at the time. The eighth section was submitted to me when it was offered; I don't know who offered it; I think it was brought to me by a member of the legislature. I sent for the chemist and asked questions relative to the eighth section, our motive being simply this: Are the ingredients therein named unhealthful? If they are, they ought not to be used in foods. Our position is this: That any product going into food which is sold to the careless and unthinking public, whereby they may be injured, should be prohibited. So the question was asked: Are those ingredients injurious? I received information that led me to believe that they were so. A consultation in the office was had and it was concluded that that was a wise measure to add. We have not received any evidence up to date to cause us to think otherwise."

The member of the legislature referred to was Senator Ambler, chairman of the committee on agriculture, who has stated to me that he was responsible for the introduction of that section and whose attitude was sustained by his committee, which unanimously reported the bill containing the prohibition against alum and recommended its passage.

As indicating the character of the support for the bill, attention is called to the fact that Dr. Perkins, the State board of agriculture expert chemist, for 7 years a member of the State board of health, addressed the committee in favor of the bill.

The alum baking-powder interests have invariably sought to minimize the overwhelming weight of the testimony of the chemical experts against them by charging that the testimony was paid for, regardless of the fact that in every one of the numerous investigations into the question of the harmfulness of the use of alum powders, conducted by the Departments of the United States Government, by the Congressional committees, and the committees of the various legislatures, every expert who has testified against the use of alum baking powders has been summoned by the various committees themselves, and has received no compensation whatever, save the statutory per diem mileage fee paid by such committees as witness fees. The same form of attack was indulged in by the representative of the alum baking-powder interests in his testimony before this commission, when he sought to convey the impression that the chemical expert testimony, that induced the New York committee to make its unanimous report favorable to the prohibition of the use of alum baking powders, was hired testimony.

Mr. Morrison testified (p. 369): "The National Health Society appeared before the New York legislative committee and was represented by Mr. L. Boardman, of Tracy, Boardman & Platt, and had in its employ a number of chemists."

As a matter of fact, the only chemists who appeared before the committee were Dr. Perkins, of the State board of health, and Prof. C. F. Chandler, of Columbia University, a chemist and sanitarian so long in the public service that his reputation is world wide. Dr. Perkins, who strongly favored the passage of the bill, stated as one of his grounds that he did not think there could be any question regarding the possibility of aluminum salts being dissolved in the stomach. He also said to the committee: "I have nothing to do with the Royal Baking Powder Company, except this: I know the chemist and have seen some of his papers; but I was called here by the commissioner of agriculture. I did not receive anything in regard to my appearance here."

What Professor Chandler said in this connection, bearing in mind the statement glibly made before this commission, i. e., that the chemists at the New York hearing were in the employment of the National Health Society, clearly indicates the measure of reliance that should be placed upon the charges recklessly made by Mr. Morrison, whereby he has sought to divert attention from the real question, to wit, the poisonous effect of alum baking powders, by heaping abuse upon and preferring charges of fraud against the legislatures of 18 States and their committees, and all witnesses who have opposed the use of alum in baking powders.

Professor Chandler said:

"I want to say in the first place that I am not in the employ of the Royal Baking Powder Company, or any other baking powder company; that I have never taken a fee for any testimony that I have ever given in connection with any food question. I am a chemist and a sanitarian. I have been in the public employ for so many years that I consider that any effort that I can make in connection with such question belongs to the public, and I should consider that I was violating my own sense of propriety if I consented to take a fee for any such services. I have always stood ready to go before committees at Washington, at Albany, and elsewhere in matters relating to the public health simply from my interest in the people. I was for 6 years

in the employ of the health board of New York, and 11 years president of the board, and 3 years a member of the State board of health and chairman of the sanitary committee. I helped to prepare the law against the adulteration of foods at the instance of the National Board of Trade, which was introduced at their request and instance in most of the legislatures of the United States. My attention was called to this bill, and I thought it was a good one. I was told that there would probably be opposition to it, and I said that I would be pleased to come to Albany and go before the committee."

Then Professor Chandler spoke of the various articles the use of which in food the bill prohibited, such as arsenic, calomel, bismuth, etc., and coming to the salts of aluminum, said: "I myself have always been of the opinion that alum baking powder was not a proper material to be used in domestic economy. Nothing would induce me to permit it to be used in my family, for the reason that there are possibilities of harm in it, which one may just as well avoid, inasmuch as there are plenty of other baking powders which do not contain it and which avert any such possibility, and I prefer not to take any risk on that subject."

Then, proceeding to demonstrate his proposition with arguments, which it would not be pertinent to repeat here, Professor Chandler concluded as follows: "Without detaining the committee further, I simply give it as my opinion, for what it is worth, that I do not think alum baking powder is wholesome, and I think it would be eminently proper to restrict and prevent its sale; and I hope that this law will pass just as it stands."

It is true that Mr. A. L. Boardman, a distinguished lawyer, was retained by the National Health Society to present an argument in favor of the passage of this pure-food bill, and that after hearing the testimony and listening to the argument the committee unanimously reported in favor of the passage of the bill, but that is the only vestige of truth in the charges of insincerity and improper influence by which the advocate of the alum baking powder interests has sought before this commission to minimize the effect of the proceedings at Albany.

Similarly, in regard to the statements about the pure-food bill in the State of Massachusetts.[1] Mr. Morrison would have it appear that the bill originated with the business opponents of the alum baking powder interests, and that the chorus of approval in the form of testimony before the committee of chemists was all purchased, and that back of the movement, lurking with some sinister motive, was the National Health Society.

The fact is, that at the last session of the legislature in Massachusetts three general food bills were introduced by three different members; that each bill contained a clause prohibiting the use of alum in baking powders, and that after due consideration by a joint committee of the house and the senate all three of the bills were favorably reported by a unanimous vote. Seven eminent chemists appeared before the joint committee when the bills were under consideration, and each one testified unqualifiedly against the use of alum in any shape or form in baking powders. These chemists were Professor Goessman, of Andover; Professor McMichael, of Boston; Professor Harrington, of Harvard; Professor Davenport, of Boston; Professor Richards, of the Boston Institute of Technology; Prof. Conrad S. Wood, of Harvard Medical School; and Dr. Charles R. Sanger, of Harvard.

Not one of these gentlemen was requested to appear and testify by the National Health Society, nor did any one of them receive any compensation for so doing from the National Health Society. Each of these chemists was invited to appear by the chairman of the committee, Mr. Bullock, of New Bedford, and the only compensation, if any, received by them was the statutory per diem fee paid by the committee for attendance before it.

The National Health Society, through counsel, appeared before the committee, and supported the bills in their entirety, and after hearing the testimony and the arguments, the bills were favorably reported by a unanimous vote, as above stated.

The bills failed to pass the house, although there were 84 votes cast in their favor. Subsequently, both the senate and the house unanimously passed a joint resolution instructing the State board of health to institute and carry on a series of physiological experiments calculated to demonstrate the whole truth relative to the charge made by all the chemical experts that the use of alum in baking powders was harmful and injurious to the public health.

So much for the charge made by the alum baking powder interests before this commission, and constituting a part of its records, to the effect that by means of purchased testimony and improper political methods the legislature of a great State was induced to take action looking to the protection of the health of its citizens by ordering a rigid investigation into the healthfulness of alum baking powders.

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[1] See p. 368.

I have carefully read the testimony of Mr. Morrison before this body, and have been struck by the fact that, of the 20 closely-printed pages occupied with his testimony, less than one page is devoted to alum baking powder, while the 19 remaining pages are taken up with attacks containing invectives, insinuations, and complaints against the Royal Baking Powder Company and the National Health Society.

The main charge against the Royal Baking Powder Company is that it has been for years consistently informing the public that alum baking powders are poisonous and injurious to the public health and unfit for use.

I am not concerned with the controversy between the American Baking Powder Association, representing the alum manufacturers and dealers, and the Royal Baking Powder Company, and will pass over this branch of the testimony without comment, other than to call attention to the very pertinent question put by a member of the commission to the witness (p. 382) when he asked: "Have you brought any suits against the Royal Baking Powder Company for these alleged misrepresentations?" The answer was: "We have not done so, for the very good reason that our income is inadequate."

Bearing on the matter of the income of the American Baking Powder Association, attention is called to the blank application for membership therein, hereto annexed, marked "Exhibit 4," from which it appears that each member not only agrees to pay the annual dues, but authorizes the association to draw upon him monthly at the rate of 10 cents per 100 pounds on his purchase of alum during the preceding month and 5 per cent per 100 pounds on the quantity of phosphate purchased during the preceding month. As it is stated by the witness (p. 382) that the sales of alum baking powder are approximately 100,000,000 pounds per annum, 20 per cent of which consists of alum, it appears that, exclusive of the levies on the phosphate purchases, the association has at least $20,000 a year to expend for one purpose or another. The witness boasts that the association has killed 27 pure-food bills in 16 or 18 different States (p. 367). He jauntily remarks, in connection with the action of the Canadian authorities in prohibiting the sale of alum powders on the ground that they were injurious to the public health, "We found we could reach their internal-revenue commissioner" (p. 381); he is on such familiar terms with the president of the Arkansas senate that he obtained a letter from him which is put in evidence (pp. 371–372) in which that statesman assures Mr. Morrison that "the pending pure-food bill can never pass the senate and will never become a law. This is not a prediction but an assurance. My position puts it in my power to prevent its passage, and it shall not pass."

It is perhaps not to be wondered at that the American Baking Powder Association can spare none of its income to bring a test libel suit to determine whether it is misrepresented when the statement is made that alum baking powders are poisonous and injurious to the public health, but, while it is not within my province to reply to the charges made against the Royal Baking Powder Company by Mr. Morrison, by which it is sought to connect the Royal Baking Powder Company with the agitation in 18 States against the use of alum baking powders, it is my duty to call to the attention of this commission a few glaring misstatements and misrepresentations in his testimony besides those already noticed.

Mr. Morrison testified (pp. 364, 366) that the American Baking Powder Association was organized to defend its members, who were manufacturers and dealers in alum baking powders, against the hostile attacks of the Royal Baking Powder Company, and stated that the attacks upon alum originated with the Royal Baking Powder Company and were all subsequent to its formation in March, 1899. The facts are in this connection, that as far back as 1879 efforts were made by the advocates of pure-food legislation to discourage the use of alum in baking powders. As an instance of the nature of the agitation at that period see "The Injurious Effects of Alum upon the Human System when Used in Bread or Baking Powders, and as Proved by Experiments on Man and Animals," a pamphlet published in London in 1879. Four years later Prof. P. P. Sharpless, in a report on "Adulterated food," contained in the annual report of the Massachusetts State board of health for the year 1883, summing up the results of his investigation into baking powders said: "With the exception of baking powders no injurious adulteration was found. It would have been well to have given the names of the baking powders which were found to contain alum, since nothing hurts the sale of such articles so much as a full publication of the names under which they are sold."

In the annual report of the same board in the year 1884, Prof. Edward S. Wood, in his official report on his analysis of foods for the State board, said: "It would perhaps be proper to consider the alum powders as adulterated, since alum is very generally held to exert a more or less pernicious effect upon the system."

In the annual report of the Massachusetts State board of health in 1888, referring to the use of alum in baking powders, this language was used: "Since, however,

bread is the most commonly used of all articles of food, and the long-continued use of small quantities of such articles as in large quantities have a decidedly injurious action may prove harmful to the consumer, it is evidently a safer course at least to advise the consumer against the use of articles containing such ingredients, if not to prohibit their sale."

Furthermore, several years prior to the organization of the Royal Baking Powder Company, there was an investigation into the propriety of the use of alum baking powders carried on by the Department of Agriculture at Washington, and as a result of that investigation a rule was promulgated that in bidding for supply contracts in any department of the United States Government, bidders were warned against submitting any bids that included food stuffs in which alum was an ingredient, as no such bids would be considered. Again, long prior to 1899, the use of alum as a food ingredient was prohibited by law in England, France, and Germany.

From the foregoing it appears that Mr. Morrison's claim that the attacks on alum baking powders originated with or are peculiar to the Royal Baking Powder Company can hardly be classed as accurate.

Mr. Morrison also stated (p. 365), after admitting that hydrate of aluminum was contained in the residuum left in bread after raising it with an alum powder, that "no question has ever been raised as to its wholesomeness."

In this connection see "The Law and Chemistry of Food and Drugs," by Robinson & Cribbs, in which this subject is treated at length, and a series of experiments are cited showing that biscuits containing alum baking powder produced vomiting and constipation in dogs, and that hydrate of aluminum possesses the power of rendering the white of an egg insoluble in the gastric juice of dogs.

Mr. Morrison further states (p. 381) that it is yet to be demonstrated that the use of alum is unwholesome. This statement was made in disregard of the testimony before the United States Senate committee of 66 chemists subpœnaed from every prominent institution of learning in the United States, of whose testimony the following are samples:

Dr. Sternberg, Surgeon-General of the United States Army: "It is well known that alum is a powerful astringent which would speedily have harmful effects if it were taken into the human system. No alum powder is furnished to the Army by the Subsistence Department."

Dr. Wyman, surgeon of the United States Navy: "Alum should not be used in food products. The medical purveyor of this service has been instructed to refuse to purchase baking powders and flour containing alum."

Dr. Wise, medical inspector of the United States Navy: "The injurious effects of alum on the mucous coat of the stomach is positive and beyond dispute. It is both an irritant and an astringent, interfering seriously with the secretion of the digestive juices."

Dr. Wiley, chief chemist of the United States Department of Agriculture: "Alum is regarded as injurious to the system by most authorities."

Professor Whitehill, of the University of Virginia: "The use of alum in baking powder plainly comes under the head of 'food adulteration,' and as such should be prohibited by law."

Professor Norton, of the University of Cincinnati: "The action of alum on the human organism is of so decided a nature that there can be no hesitation in ranking it among the pronounced irritants and poisons."

Professor Friscoe, of Columbian University, Washington, D. C.: "The introduction of alum into our daily food is as dangerous to health as any other slow poison."

Similar testimony was given by Professor Appleton, of Brown University; Professor Arnold, of the University of New York; Professor Atwater, director of the Government experimental station at Washington; Professor Barker, of the University of Pennsylvania; Professor Caldwell, of Cornell University; Professor Chittenden, of Yale University; Professor Cornwell, of Princeton University; Professor De Schweinitz, of the United States Department of Agriculture; Professor Jenkins, of the Connecticut department of agriculture; Professor Mallet, of the University of Virginia; Professor Prescott, of the University of Michigan, and many others.

Although Mr. Morrison intimates that these gentlemen were paid for their testimony before the Senate investigating committee by the Royal Baking Powder Company and that they were selected by that company to testify, I have been assured by Senator Mason, chairman of the committee, that this is not true, but that on the contrary all of the witnesses before the Senate committee were selected by the committee and invited by the committee to give their testimony, and that the only fees received by the witnesses were the statutory per diem allowance for mileage.

Again, Mr. Morrison asserts that ex-Governor Stone, of Missouri, who has been prominent in the prosecution instituted by the public authorities in the State of Missouri for violations of the laws prohibiting the sale of alum baking powders in

that State, was governor of Missouri at the time the bill was signed.[1] This is important only as evidence of the general unreliability of the testimony of Mr. Morrison At the time the Missouri anti-alum bill was passed the Hon. Leslie W. Stephens was governor of Missouri.

Appreciating, as I do, that the scope of the inquiry of this commission precludes my entering into a discussion in this statement of the chemical and physiological experiments and data demonstrating the injurious effects upon the human system of the use of alum as a food ingredient, I have confined my testimony to rebutting the arguments of the spokesman of the alum baking powder interests wherein he has sought to convey the impression that the agitation that has been so prevalent throughout the United States for the past few years against the use of alum baking powders is the result of business rivalry, and that the part played by the National Health Society therein has been that of mouthpiece for the baking-powder companies making the high priced and admittedly pure cream of tartar powders; and I have endeavored to show in as brief a manner as possible that the movement has been world-wide, has long antedated the formation of the Royal Baking Powder Company, and has had the support, not only of institutions such as the National Health Society, but that of the boards of health in the several States, of national legislative committees, and of the leading scientists of the United States.

D. J. Kelley.

Sworn to before me this 3d day of August, 1901.

[seal.] Charles Alvin Rogers,
Notary Public No. 126, New York County, N. Y.

Exhibit 1.

Extracts from Pure-food Bulletin No. 21.

[Issued by the National Health Society.]

Containing Extracts from the Testimony of Prominent Physicians of the State of Missouri, who Unequivocally Condemn the Use of Alum in Food.

The following testimony, classifying alum as a food adulterant and as a deleterious and harmful one, was received in response to a request of the physicians of Missouri made by the editor of the Medical Record, of St. Louis, in July, 1900. This testimony is emphatic and unanimous, and is from the most prominent physicians of the State, who have studied the subject and have witnessed the deleterious effects of alum as a food adulterant in their daily practice. These physicians call upon the makers of the law and the officers of the law to enforce the statutes against the sale or use of alum in food in any form.

PHYSICIANS OF THE STATE OF MISSOURI CONDEMN ALUM IN FOOD IN ANY FORM.

[List of 156 given.]

LETTERS.

My attention was first called to the use of alum in baking powders some 17 years ago, when a representative of a manufacturing firm then in the market asked my opinion regarding it. It was that every person resorting to this practice should be sent to the penitentiary. He took me aback by stating that his firm had been in the habit of using alum as a substitute for part of the cream of tartar, and was thus the occasion of reviewing the whole evidence upon which my opinion was founded. I discovered there was no reason for changing it, nor have I since, though I have followed with painful interest the fatal progress of our age in the multiplicity of food adulterations, which defraud and endanger the health of the consumer.

The deleterious effects upon the human system of alum and the soluble salts of alumina, even when used in small quantities, are too well known to need restating, and sufficiently so to every intelligent citizen to make him wish for the enactment of laws to prevent the manufacture and sale of baking powders containing it, and to visit adequate punishment upon the persons of those that are bold and unscrupulous enough to disregard or break them.

The laws of nature are declared by nature itself, and as we find no alumina whatever in our foods it is evident that nature did not intend it for our use.

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[1] See p. 368.

Dr. Emil Wolff, professor and director of the agricultural experimental station at Hohenheim, details the results of nearly 3,000 analyses of agricultural products, 172 of which are wheat, 495 of other cereals, and the rest of different farm products. These analyses, made by or under the auspices of the most celebrated chemists, and of material grown in every country, and under the most diverse conditions, do not even mention alumina as an accidental constituent. Surely we should take heed and let it enter into no combination intended for consumption with our foods.

The use of alum in baking powders is dangerous and should be prohibited by law.—*P. Schweitzer, M. D., Professor of Chemistry and Toxicology, State University of Missouri.*

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I am satisfied that it is dangerous to use for any length of time bread in the preparation of which alum has been used. From a limited experience of 49 years as a general practitioner of medicine, I can say that constipation, indigestion, and neurotic troubles are more frequent than they were many years ago. I think it highly probable that the use of baking powder containing alum in the manufacture of bread has contributed in a measure to the prevalence of these troubles.—*J. J. Norton, M. D., Monroe City, Mo.*

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I consider alum very unhealthy when used for a considerable length of time, even when taken in minute quantities, as it is a local irritant to the mucous membrane of the stomach, acts as an astringent, thereby lessening the amount of the digestive fluids and producing constipation. I condemn its use in the manufacture of any article of diet for human food.—*J. F. Owens, M. D., Ballinger Building, St. Joseph, Mo.*

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I have seen its injurious effects and am opposed to its use and sale and think its sale ought to be prohibited by law.—*W. Well, M. D., Willard, Mo.*

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In families where I find the baking powders that contain alum, I generally find stomach trouble, such as dyspepsia and catarrh of the stomach and sometimes constipation. I have also experienced that if such patients will eat bread sweet and light, they will get well without a dose of medicine.—*Dr. Leo J. Steger, Cape Girardeau, Mo.*

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Alum is hurtful to the whole human family in baking powder, and should never be used, but it is especially harmful to your girls just budding into womanhood.—*A. B. Mobley, M. D., Kennett, Mo.*

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The use of alum in baking powders—I think this is a subject that should be investigated, and parties using alum should be punished to the fullest extent of the law. If you would only visit the flour mills I think you would find alum in large quantities. I believe all stomach troubles come from most of the flour and baking powders that are used to-day.—*E. T. Moore, M. D., Dekalb, Mo.*

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I do most assuredly indorse all and every act of our lawmakers in suppressing the use of alum as one of the elements of our food.

I have seen in my practice of 30 years or more its evil effects upon the human system.—*J. W. Matthews, M. D., New Harmony, Mo.*

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I wish to state that alum in foods and baking powder ought to be strictly prohibited. In my opinion alum is very irritant to the gastro-intestinal mucous membrane, causing both gastric and intestinal indigestion, causing gastric catarrh, especially in

persons predisposed to dyspepsia. Alum should also be condemned for its astringent effect on the alimentary canal.—*Geo. Kupert, jr., M. D., 5222 North Twentieth street, St. Louis, Mo.*

Probably the greatest injury to humanity in the way of adulterating food products is in the use of alum in the manufacturing of many brands of baking powders which are used in every city, village, and hamlet throughout the land, thus slowly slaying thousands.—*J. D. Motley, M. D., Louisville, Mo.*

A large percentage of the stomach affections and constipation so prevalent in this country to-day is due to the use of cheap baking powders, composed largely of alum.—*M. E. Eacles, M. D., Albany, Mo.*

In general, I am opposed to sumptuary legislation; I also recognize the rights of private citizens. But baking powders are in such general use by all classes of our people, I believe the use of alum in them should be prohibited by law.—*E. R. Harris, M. D., Shawneetown, Mo.*

Constipation no doubt is the most prevalent disease in this country. Indigestion is very prevalent and there is not a shadow of a doubt in my mind that it can be attributed to some extent to the alum, as it is being taken into the system with the food that contains it. I do not mean to say that it is the only factor, but that it is a potent factor in the production of the diseases mentioned. I object to alum in baking powder.—*Ferdinand Schreiman, M. D., Concordia, Mo.*

Alum or its salts are unfit for food in any form of baking powder, as I view it; and the same of ammonia. I hope this food purification agitation may become an epidemic in the United States in all the different factories, mills, packing houses—in short, until the people of this continent can have absolutely pure foods and medicines and secret formulas be relegated into eternal oblivion.—*T. A. Long, M. D., College Mound, Mo.*

With my own experience with alum I would condemn it as a food. I have been a physician to a convent for some 20 years, and I have seen some of the bad results of alum in bread. It undoubtedly retards the flow of blood and causes more trouble in the mensual period in girls than any one thing, causing constipation, indigestion, etc.—*Wm. Harrison, M. D., 26½ Jefferson avenue, Marshall, Mo.*

Alum and its salts in baking powders or any other preparation of food can not be condemned as severely as it should be. I consider it has a progressive action, as follows: First, irritant; second, emetic; third, astringent; fourth, escharotic.—*E. A. Lofton, M. D., Laddonia, Mo.*

I consider alum injurious not only to digestion, but to the nervous system and kidneys, whether used as an ingredient in baking powders or in any other way.—*E. Magoon, M. D., 3837 Lee avenue, St. Louis, Mo.*

Alum behaves in the stomach as on the denuded skin, coagulating albumen and constringing the mucous membrane, and it hinders digestion by each of these processes. The long-continued administration of these substances (preparations of alum)

produces loss of appetite, constipation, and at last chronic catarrh of the stomach and intestines. Large doses produce gastro-enteritis (inflammation of the stomach and small intestine) at once, with its usual symptoms.—*J. H. Straughn, M. D., Lexington, Mo.*

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The use of alum in baking powder is no doubt more or less responsible for the coated tongues which resist all hygienic and medical measures.—*O. B. Baerens, M. D., 422 Commercial Building, St. Louis, Mo.*

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I am satisfied that the use of superfluous flour and alum in baking powders has much to do with the universal constipation with which we, as medical men, have to deal, and a constipated person is a diseased one.—*B. N. Stevens, M. D., Chillicothe, Mo.*

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Any M. D. with a reasonable amount of experience ought to know the deleterious results from the continued use of alum. I concur with Prof. Alonzo R. Kieffer, of the Barnes Medical College, in the belief that our digestive disorders are due in part to this one cause—alum baking powder.—*J. A. Tuoner, M. D., Crosstown, Mo.*

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My experience with alum has been peculiar; the most extensive was that of nearly wholesale poisoning of school children from sucking alum crystal. One boy among them had free access to a barrel of alum and gave away all that was asked for, and as a consequence a long list of peculiar ailments resulted. Headache, vomiting, constipation, cystic inflammation, nervousness—in fact, nearly every symptom that would be likely to arise from functional disturbances of stomach, bowels, liver, and kidneys. I do not think there can be any doubt as to its deleterious effect when taken in quantity.—*A. W. Benton, M. D., Neosho, Mo.*

Exhibit 2.

Bulletin No. 22.

[Issued by the National Health Society (incorporated), 31 East Seventeenth street, New York.]

The United States Agricultural Department estimates that $159,000,000 a year are filched from the pockets of the people of the United States by the fraudulent sophisticating of food products. About half of this sum represents not fraudulent sophisticating alone, but is open to the more serious charge of poisonous sophisticating. This is the class of sophisticating the National Health Society condemns and pursues, and, to aid in bringing to the notice of all consumers, publishes herewith a list of the fraudulent poisonous food adulterants, as well as those which are only fraudulent, but not necessarily deleterious.—*The National Health Society* (*incorporated*).

Name.	Fraudulent, poisonous, and deleterious adulterants.	Fraudulent adulterants (commercial frauds not poisonous).
Bread	Alum, sulphurite of copper, ammonia.	Flour, other than wheat; potatoes, and inferior flour.
Butter	Copper	Water, other fats, excess of salts, oleomargarine, starch, cotton-oil, olive oil, peanut oil, beef suet. The proper proportion of water should be 5 to 10 per cent.
Baking powders	Alum	Starch and flour in excessive quantities.
Black pepper	Sand, red clay	Buckwheat flour and hulls, P. S., cracker crumbs, indian meal, wheat flour, charcoal, bran, linseed meal, cocoanut shells, mustard husks, sawdust, olive seeds, cayenne, and ship bread.

Name.	Fraudulent, poisonous, and deleterious adulterants.	Fraudulent adulterants (commercial frauds not poisonous).
Beer	Salicylic acid, tobacco, seed of cocculus indicus.	Burnt sugar, licorice, treacle, glucose, quassia, coriander, carraway seed, cayenne pepper, soda, salt (to increase thirst) artificial carbonic acid gas, grains other than barley. As there is no standard, it is doubtful whether the last is an adulterant, many preferring rice to malt beer. Beer is often not properly aged, artificial clarifying.
Cheese	Salts of mercury in rind, alum	Skim milk (for whole cream), oleomargarine, cotton-oil, etc., false coloring, and lard.
Canned goods	Salts of copper, alum, acids, lead, decayed.	Excess of water, inferior goods, damaged goods.
Chrome yellow	Used by confectioners and bakers to give yellow color. Very dangerous.	
Candy	Poisonous colors and flavors, terra alba, talc, barytes, chrome yellow, arsenic, sulphate of copper, prussic acid, alum, fusel oil, aniline dyes.	Glucose (this article is now generally used, and when properly made is not injurious), starch, flour, grape sugar.
Coffee	Green coloring matter, other aniline colors.	Imitation beans (both green and roasted), pease, beans, chicory, rye, chefus, almond shells treated with molasses and roasted, polishing, burnishing, weighting with water, acorns, burnt sugar, pea hulls.
Cider	Salicylic acid, alum, dried apples added to chemical mixtures.	
Cocoa and chocolate	Oxide of iron and other coloring.	Animal fats, starch, flour, sugar, and caramel.
Cream of tartar	Sulphate of lime, alum, terra alba, plaster, tartaric acid.	Cornstarch, flour.
Cayenne pepper	Red lead, chromate of lead	Flour, salt, ship bread, indian meal, ground beans and pease, flour, and tumeric (These adulterations will apply to all adulterations of spice, with slight variations.) Many spices are simply of the above ingredients, with a very small portion of the real product and a good deal flavoring extracts.
Flour	Alum, to give whiteness	Pease, ground rice, corn meal, flourine, and product of glycerin.
Gin	Alum, spirits of turpentine, artificial essence.	Water, sugar.
Glucose	Excess of oil of vitriol and lime	This article is probably one of the most extensively used adulterants in the country. When pure, I do not believe it to be injurious to health. It is used to adulterate the following: Sugar, cane and maple sirups, molasses, jellies, jams, confectionery, vinegar, liquor, wines, honey, beer. It is used for cakes, sauces, and tobacco.
Lard	Caustic lime, alum	Starch, stearin, salt, cotton-seed oil, and water.
Jams and jellies	Artificial essence and dyes, preservatives.	Glucose, gelatin, jelly made from refuse fruit, cores, and parings.
Ice cream	Aniline, and other coloring matter, essence of bitter almond.	Buttermilk, skim milk, cornstarch.
Mustard	Chromate of lead, sulphate of lime, alum, Martin's yellow, gypsum, tumeric, weighted with terra alba.	Yellow lakes, flour, cayenne, mustard colored with turmeric, diluted with starch, wheat, and rice flour.
Milk	Water (because it reduces the nourishing qualities of the article), preservatives, from diseased and filthy cattle, boracic acid, borax, salicylic acid.	Burnt sugar, annotto, calves' brains.
Macaroni	Tumeric and Martin's yellow, saffron.	
Molasses	Salts of tin, alum	Glucose, sirups.
Meat	Infested with parasites, diseased.	
Oleomargarine	Refuse pork (liable to produce trichinæ).	Bone fats, candle grease, soap grease, horse fat.
Pickles	Salts of copper and alum	Poor vinegar, poor spices.
Preserves	Aniline colors, gelatin, preservatives.	Apples, pumpkins, molasses, glucose.
Rum	Cayenne pepper, artificial essence.	
Pease	Salts of copper and alum	
Sugars	Salts of tin, salts of alum, salts of lead, terra alba, glue, sand, gypsum. (Putrid blood is often used to purify it.)	Grape sugar, flour, starch, rice flour, bean dust.
Sirups	Salts of tin, alum	Glucose, dextrin.

Name.	Fraudulent, poisonous, and deleterious adulterants.	Fraudulent adulterants (commercial frauds not poisonous).
Tea	Prussian blue, plumbago gum, alum, weighting, nitric acid, sand, soapstone, china clay, gypsum.	Foreign leaves, spent tea, leaves dried over, inferior qualities.
Vinegar	Sulphuric, hydrochloric, pyroligneous acids, alum.	Burnt sugar, water, wine, and meal vinegars colored and sold in imitation of cider vinegar.
Wines	Aniline colors, crude brandy, artificial essences, and coloring matter.	
Arrowroot		Other starches which do not have same hygiene effect.
Cotton-seed oil		Used extensively for oleo, lard, butter, olive oil, etc.
Cloves		Arrowroot, B. D., etc.
Ginger		Turmeric, cayenne pepper, mustard, inferior and refuse ginger.
Honey		Glucose, sugar, sirups, molasses, and raw sugar.
Horse-radish		Turnips.
Isinglass		Gelatin.
Pimento		Ship bread.
Sago		Potato starch.
White pepper		Starch, flour.

Exhibit 3.

English food laws prevent the sale of baking powders containing alum.

A Few Cases from a Record of 64 Recent Cases of Prosecution under the Sale of Food and Drugs Act.—Defendants Convicted and Fined.—The Traffic in Alum Powders Suppressed.

LAWS AFFECTING ALUM BAKING POWDERS IN ENGLAND.

Under the sale of food and drugs act of 1875, baking powders were regarded as food, and convictions were had for the sale of such articles when found to contain alum or other adulterant detrimental to health.

In 1894 the Court of Queen's Bench decided that baking powder was not an article of food in the meaning of the sale of food and drugs act, so the further prosecution of parties for selling alum baking powders was of necessity suspended. This, however, did not affect the operation of the law to prevent the sale of flour or any article of food which should be found adulterated with alum.

This defect in the law was remedied by the sale of food and drugs act of 1899, which took effect January 1, 1900. This act extended the definition of "food" so as to include "any article which ordinarily enters into or is used in the composition or preparation of human food," and therefore baking powder is again legally a food whose sale, when mixed with alum or other adulterant, is a misdemeanor.

The reports here copied from the London Grocer show that prosecutions against parties for selling baking powders containing alum were taken up a few weeks after the law went into effect, and continued until January, 1901, since which time there is but one case reported. The repeated convictions which were had under the evidence of health officers and physicians that alum baking powders were detrimental to health, and the imposition of penalties more or less severe, have almost entirely suppressed the sale of these articles in Great Britain.

PROSECUTIONS UNDER THE SALE OF FOOD AND DRUGS ACT.

Fined £3 for selling alum baking powder.

[London (England) Grocer, March 3, 1900.]

At Chippenham, Wilts, on Thursday, John Henry Harding, grocer, of Bath and Chippenham, was charged with selling food to the prejudice of the purchaser. The proceedings were taken by Inspector Smith, for the Wilts County council, under section 6 of the act of 1875. Mr. Bevir appeared for the council. Defendant was not legally represented. Mr. Bevir said that on January 23 Mr. Smith caused to be purchased at the defendant's shop in the Market place, Chippenham, a packet of

baking powder labeled "Alpine Baking Powder," prepared by A. Matthews of 67 High street, Plymouth. No doubt Mr. Harding bought and sold the article in question in the ordinary course of trade, but it was sold to the prejudice of the purchaser and was not of the quality demanded. The analysis showed that there was at least 14 per cent of alum in it. The label stated that the article was most nutritious and a great preventive of indigestion, but the analysis proved that to be diametrically untrue. This was not a fancied complaint, but one that went to the root of the case meant to be dealt with by the act; 14 per cent of alum, if used in baking a 2-pound loaf, meant that there would be about 60 grains of alum in it. The act was specially passed to protect purchasers, and to enable them to get an honest article; it put on the retailer the responsibility of selling an honest article. The retailers bought this article very cheap, and the purchaser did not get what he wanted. For instance, baking powder should contain tartaric acid, which cost about £5 per hundredweight, while alum cost about 5 shillings. Mr. Harding admitted selling the powder. He said he had no idea that it was adulterated, and bought it at a fair commercial price. The chairman said they would take it that the defendant was ignorant of the ingredients, but he should not sell an article as described unless he got a guaranty. That was the first case that had come before them; but they wished to point out that the whole onus fell on the retailer. For the benefit and protection of the public they were obliged to administer the law, but they would in this case only inflict the mitigated penalty of £3, to include costs. This was not to be taken as a criterion in further cases. Mr. Harding said he wished it to be distinctly known that this was not a cheap article, and it was sold as bought.

Manufacturer and dealer both responsible.

[London (England) Grocer, March 17, 1900.]

At Swindon police court, on Thursday, Arthur W. Burson, grocer, of Bridge street, Swindon, trading as Freeth & Son, was charged with selling 3 packets of baking powder which contained 20 per cent of alum, on February 2. Mr. H. Bevir prosecuted on behalf of the county council, and the defendant was represented by Mr. E. Withy. In opening the case Mr. Bevir said it was taken under section 3 of the food and drugs act, and was a section under which the bench had not previously had to deal. It was somewhat different from section 6, under which so many prosecutions had been taken. It was a section which rendered it penal to mix with any article of food an ingredient which rendered that article injurious to health. Overwhelming medical evidence could be adduced to prove that alum was injurious. This order concerning baking powder and alum received royal sanction last August; therefore he contended the dealers had ample opportunity to put themselves right. Inspector Smith gave evidence as to purchasing the sample from the defendant, and submitting it for analysis. This showed that the sample submitted contained at least 20 per cent of alum, 14 per cent of bicarbonate of soda, and 66 per cent of farinaceous matter. By Mr. Withy: "He had never given notice to the defendant about the change in the act, as he was not bound to do so." Dr. Bernard Dyer gave evidence to the effect that he had examined the sample and gave the above certificate. The cost of alum was very slight, whereas the proper ingredient—tartaric acid—was very expensive. Dr. Tubb Thomas, the Wilts County council medical officer, gave evidence concerning the effect of alum on the human system, remarking that its continual use was really dangerous. The bench decided to fine defendant 1 shilling and costs.

Edward J. Nation, Redcross Works, St. Phillips, Bristol, was charged with applying a false trade description to 5 gross packets of baking powder, delivered to A. W. Burson, grocer, Swindon, in August last. Mr. Withy defended, and pleaded not guilty. Mr. Bevir, in opening, pointed out the serious nature of the case, which showed a serious breach of the merchandise marks act. The description was false when it said that it was a preparation to prevent indigestion. He called Arthur William Burson, who said that in August, 1899, he purchased 5 gross of baking powder from the defendant, and the 3 packets sold to the inspector in February last were from the consignment. He had sold nearly 4 gross of the consignment, the remainder being packed ready to be returned. Dr. Bernard Dyer said he analyzed a sample of this baking powder and found it to contain at least one-fifth part of alum. That quantity was injurious to health. Alum did not prevent indigestion, but, on the contrary, caused it. The description on the label was incorrect, and if the preparation was used it was likely to cause serious indigestion. Dr. Tubb Thomas confirmed this evidence, and said that the continued use of this powder would be very serious. It was absolutely incorrect to say that the preparation was a preventive of indigestion, and he considered it to be a very harmful preparation to be sold. Mr. Withy agreed that the description was merely a commercial "puffery," which

was seen in hundreds of advertisements every day. He asked them to treat it as such, and not as part of the trade description. The words complained of were: "Nation's American Baking Powder. This is an alum preparation which prevents indigestion." The bench retired for consultation, and on their return the chairman said they had carefully considered the matter, and did not think they were justified in convicting. They believed a gross fraud had been committed, and as they were unable to touch the wholesale man they should increase the fine on the retailer in the previous case (Mr. Burson) to £1.

Alum powders specially dangerous to children.—Fined £2.

[London (England) Grocer, May 5, 1900.)

At Bradford-on-Avon police court, William Orchard, grocer, Newton, Bradford; Annie Jones, grocer, Silver street, Bradford; Edward Mock, grocer, St. Margaret street, Bradford; and Ernest Slade, grocer, Bradford, were all summoned for selling baking powder adulterated with alum. The powder contained alum ranging from 20 to 37 per cent, and Dr. Tubb Thomas, county medical officer, stated that alum in baking powder was injurious to health. It was used solely to increase the profits of the manufacturers, and to enable them to put large packets for the money on the market. It was specially injurious to the bones of young children, and caused their teeth to become brittle. In each case it was urged that the powder was sold exactly as bought from the makers; but for the prosecution it was contended that that was neither a legal defense nor a moral excuse, as it was a tradesman's duty to ascertain whether an article was genuine. Mr. Slade, whose sample contained 37 per cent of alum, was fined £2 and costs; the other defendants were each fined 10 shillings, including costs.

Ignorance no bar.—Dealer fined.

[London (England) Grocer, May 12, 1900.)

At Salisbury, on Tuesday, Samuel Mitchell, grocer, Redlynch, near Salisbury, was summoned for selling baking powder not of the nature, quality, and substance of the article demanded. Inspector Beardsley said that defendant was summoned for selling baking powder which was adulterated with alum, which was a foreign ingredient to baking powder. Mr. Mitchell had not mixed up the powder himself, or it would have been a very much more serious affair for him. Baking powder did not come within the scope of the act until January of this year, and previous to that many firms, knowing that they could not be proceeded against, had used alum, which cost 3d. per pound, instead of the proper ingredient, tartaric acid, which cost 1s. 6d. per pound. The analysis showed that the baking powder was made up of quite 19 parts per cent of alum, which in the analyst's opinion was a substance injurious to health. Mr. Mitchell said he bought the powder in November last, and not being an analyst he did not know but that it was pure. The Earl of Radnor asked whether any notice had been given shopkeepers as to the new act. Inspector Beardsley replied that there were notices in the trade papers. A notice appeared in the principal trade journal, The Grocer. Mr. Mitchell contended that all the shops in Downton were selling the same article, and that the grocers there had not been proceeded against. The Earl of Radnor said he was very sorry, but it was defendant's duty to comply with the acts of Parliament. People who conducted a business must see that they complied with both old and new acts of Parliament, and the bench had decided to fine defendant 10 shillings and costs. Mr. Mitchell: "That is for being a grocer." The Earl of Radnor: "That is what you make your living at." Mr. Mitchell: "I have got a terrible hard job to do it."

Food inspection report.—Alum fraudulently used in egg and baking powders.

[London (England) Grocer, August 11, 1900.]

Baking powder.—Mr. E. W. T. Jones, F. I. C., reports to the sanitary committee of the Staffordshire County council that of 5 samples of baking powder analyzed, 3 were found to contain alum, 2 of them to the extent of 40 per cent. There is no doubt that medical opinion generally is that alum in food interferes with digestion, and that, at least to this extent, it is injurious to health.

Egg powder.—This, of course, is a misnomer, but I suppose the public understand it is not derived from eggs, but only gives a color as if eggs were used. It is in fact only colored baking powder, the coloring matter being generally turmeric. Alum in this is as bad as in baking powder, and of the 6 samples analyzed 3 contained it, 2 to the extent of 40 per cent.

Leicestershire County analyst.—Alum powders exceedingly deleterious.

[London (England) Grocer, August 18, 1900.]

The Leicestershire County analyst, in his report for the quarter ending June 30, says he made 103 analyses. The samples comprised 28 of baking powder, 15 of golden sirup, 3 of milk, 28 of oatmeal, and 29 of whisky. Of these 96 were genuine and 7 were adulterated. The latter consisted of 2 samples of golden sirup, 1 sample of oatmeal, 1 sample of whisky, and 3 of baking powder. The 2 samples of golden sirup were adulterated with glucose sirup derived from starch in the proportions of 60 per cent and 75 per cent, respectively. The sample of oatmeal contained 10 per cent of flour derived from other grain than oats, and the sample of whisky was 2 proof degrees below the minimum legal strength. The 3 samples of baking powder belonged to the very objectionable class of alum baking powers, containing in round numbers one-third of their weight of alum. Baking powder, properly made, consists of a mixture of starch (such as ground rice or corn flour) with bicarbonate of soda and tartaric acid, the object of the tartaric acid being to liberate the carbonic acid of the bicarbonate of soda and produce effervescence when the powder is moistened. For a number of years (the report goes on to say) a nefarious trade has been carried on by the sale of cheap baking powders in which the tartaric acid has been replaced by a much cheaper substance—alum. Alum is a substance the constant use of which in food must be regarded as exceedingly deleterious to health, as it has a specific effect on the digestive organs. Under the sale of food and drugs act of 1875, it was held, on appeal to the high court, that baking powder was not in itself an article of food, but only an ingredient sold for mixing with food, and that it, therefore, did not fall within the scope of the act. In the amending act of Parliament, passed last year, a special clause was introduced to deal with cases of this kind, and as a consequence it is now possible to stop the sale of this objectionable kind of baking powder. It is satisfactory to find that out of 28 samples taken in the various divisions of the county no less than 25 were free from alum; and having regard to the very wide-spread trade in alum baking powder which prevailed all over the country until the passing of the present act, there can be little doubt that the wholesale houses, in anticipation of the well-known vigilance of the inspectors, promptly "called in" from the retail dealers, in most cases, any unsold stock that might be in hand of such powder.

Alum decreases circulation of blood.

[London (England) Grocer, October 20, 1900.]

At Birmingham, yesterday week, Thomas Perks, 53 Bordesley street, was charged with selling baking powder containing alum. Mr. Nadin prosecuted on behalf of the health committee. Dr. Hill, who certified that the baking powder contained 25 per cent of alum, said the alum acted as a powerful astringent. It coagulated the albumen on the tissues of the stomach and decreased the circulation of the blood. Its use in baking powder was universally condemned by members of the medical profession. It was employed by manufacturers because it was cheaper than tartaric acid. A fine of 10s. and costs was imposed.

Mary Ann Greenfield, 48 Ashted row, was similarly summoned. Defendant said she was unaware that she was committing any offense. She did not know what the baking powder contained, but sold it exactly as she received it. The bench accepted the explanation, and said they did not think the woman was to blame. No doubt a great deal of baking powder was being sold with alum in it, and they hoped these cases would be a warning. Baking powder must be pure powder, and not a mixture which was injurious to health. The defendant was dismissed with a caution.

Scientific testimony condemns alum—Manufacturer fined.

[London (England) Grocer, May 11, 1901.]

On Wednesday, at Norwich, J. J. Willsea, baking-powder manufacturer, Timberhill street, was summoned for selling baking powder containing crystallized alum, to the injury of the public health. The deputy town clerk prosecuted. Defendant said he admitted the use of alum, but did not wish the quantity stated. He contended it was not injurious to health. The chairman said the prosecution could conduct the case in their own way. Defendant said a similar application was made at Cambridge in 1880, and granted by the recorder. The deputy town clerk said that on April 10 Mr. Brooks bought a packet of defendant's powder. Baking-powder manufacturers generally had ceased to use alum in the manufacture and had used tartaric acid instead. The defendant, however, still continued to use alum, his reason no doubt

being that it was necessary to have some such ingredient as alum or tartaric acid to create carbonic-acid gas. Alum cost only 6s. a hundredweight, whereas tartaric acid cost £4 a hundredweight. Defendant objected to that statement, as the cost had nothing to do with its being injurious to health. Mr. Brooks gave evidence as to purchasing a penny packet of powder at the defendant's shop, and also produced the label on the packet. Defendant: "Yes; a penny for a quarter of a pound." Defendant contended that alum was necessary for the potency of the article. Mr. Sutton, the public analyst, stated that the sample contained 37 per cent of crystallized alum. In his opinion alum was a substance injurious to health, and should not be used as an ingredient in any article used for food or preparation of food. The direction on the label stated that 1 teaspoonful of the powder should be used for a pound of flour. That would mean 430 grains for a 4-pound loaf, and 160 of those grains would be alum. Cross-examined: Such baking powder was formerly extensively manufactured in the city, but then no steps were taken, as baking powder was not regarded as an article of food. It was not so regarded till January, 1900. He had never heard of a case of illness or death from the use of such baking powder. Before baking powder was included as a food he had found from 20 to 45 per cent of alum in it, but 37 per cent was above the average. Defendant stated that the witness's father gave evidence at Cambridge in 1880, and stated that he preferred the kind of baking powder in question to any other, and that all his family and the household used it. Dr. Cooper Pattin, medical officer of health, said his experience of alum in food was not extensive, but mixed to the extent of 37 per cent in baking powder he considered it was injurious. Cross-examined: Carbonate of soda was not, in his opinion, an antidote to alum. He never had had a case of persons being injured through using alum baking powder. Defendant contended that carbonate of soda destroyed alum. The powder had been used for 60 years. Dr. Burton Fanning said it was generally admitted that when alum was given for a long time there were unfavorable results. Cross-examined: If mixed with carbonate of soda it would leave one of its salts, and would still be injurious to health. A certain dose used over a certain time was capable of producing injury. In defense, Mr. Willsea said he had made the powder for 19 years and had never received any complaint. Defendant asked why the statement as to the cost of the article was introduced. The chairman said that that had nothing to do with the matter. Defendant stated that he had corresponded with several medical gentlemen in London and had received communications from them. He thought that would show that he had attempted to find out what was right. The local government board, in reply to a letter from him, said they could not undertake to advise him on the use of alum in baking powder. There was a committee sitting on these matters, he stated, and they had not yet reported. He contended that alum was not injurious to health. He had manufactured baking powder in the same way for 18 years without complaint, and had received thousands of testimonials. Witness had read the case of Phillips *v.* Ward, at Cambridge in 1880, at which Mr. F. Sutton was called as a witness, and he stated that he had used the baking powder which contained alum to the amount of 40 per cent, and warmly advocated the use of it. His opinion was fully indorsed by 2 doctors, 1 from the home office. Mr. R. Lee Bliss stated that he was in the baking-powder trade up to 15 years ago. Medical gentlemen had never been able to point out a single case of injury through the use of alum. The chairman stated that the majority of the bench were of opinion that the mixing of alum in baking powder was injurious to health, but in view of the diversity of opinion that seemed to exist on the subject the defendant might have been misled. They thought a nominal fine would meet the case, and inflicted a fine of 5s., without costs.

EXHIBIT 4.

Application blank.

——— ———, 190-.

AMERICAN BAKING POWDER ASSOCIATION,
Townsend Building, New York City.

GENTLEMEN: ——— hereby tender ——— application for membership in the American Baking Powder Association, Class ——.

——— agree, if elected, to pay the annual dues in advance and the assessments as provided in the constitution and by-laws. ——— have instructed Messrs. ——— ———, from whom ——— purchase exsiccated alum, to draw upon ——— monthly at the rate of 10 cents per hundred pounds on the quantity shipped during the preceding month. ——— have instructed Messrs. ——— ———, from whom ——— purchase phosphate, to draw upon ——— at the rate of 5 cents per hundred pounds on

the quantity shipped during the preceding month. The amount so collected by the manufacturers to be remitted monthly to the secretary-treasurer of the American Baking Powder Association as ——— assessment.

It is understood that manufacturers of material shall not disclose to the association the amount of the assessment levied on ———, but shall remit the sum collected together with that received from other members.

Yours, very truly,

——— ———.

MEMBERSHIP.

Membership shall consist of two classes, A and B. Active members shall be manufacturers of baking powder. Manufacturers of material shall be invited to all meetings and given the privileges of the floor.

Applications for membership shall go before the executive committee, and with their approval the applicants shall be enrolled as members.

DUES.

The dues for Class A shall be fifty (50) dollars per annum; the dues for Class B shall be twenty-five (25) dollars per annum. Members of Class B shall declare in writing that their gross annual sales of baking powder do not exceed ten thousand (10,000) dollars.

ASSESSMENTS.

Assessments shall be levied upon the membership in proportion to the amount of exsiccated alum and phosphate used by them. The assessment shall be 10 cents on each 100 pounds of exsiccated alum and 5 cents on each 100 pounds of phosphate purchased.

Affidavit of D. J. Kelley.

COUNTY OF NEW YORK, *ss:*

D. J. KELLEY, being duly sworn, deposes and says:

Supplementing the sworn statement which I have submitted to the Industrial Commission relative to the efforts made by the National Health Society (of which I am the president) to prevent the use of alum and other poisonous and deleterious adulterants of food stuffs, I beg to answer the further inquiries of the commission as follows:

The officers of the National Health Society are as follows: President and treasurer, D. J. Kelley; secretary, J. J. Cunningham, esq., of 32 Nassau street, New York.

The yearly income of the society thus far has not exceeded $6,000. The number of contributors to the society is 160, and no single contributor has given more than $500. I do not feel at liberty to give the names of contributors, but will state that the chief sources upon which the society relies for its funds, aside from those philanthropically inclined, who can be counted upon to support every organization devoted to the public welfare, are two—the grocery trade (which is burdened with the adulteration evil) and manufacturers of pure-food stuffs who are alive to the demoralizing influence both upon trade conditions and public health of the cheap adulterants with which the country is flooded.

The commercial interest of the grocery trade in honest food stuffs lies in the fact that there is not a living profit in handling adulterated articles. Alum baking powders afford an illustration. They are turned out so cheaply, as a result of substituting alum for the wholesome but higher priced cream of tartar, that many people with small capital are induced to become manufacturers by the alluring profits. Intense competition results. First comes further adulteration, such as substituting clay and other earthy materials in place of corn starch. Next comes price cutting to a point where the groceryman's profit is practically wiped out. In addition he has to deal with the complaints of customers, as each new brand fails to live up to the claims made for it. However, by dint of prize devices, advertising schemes, and falling prices, a certain demand is maintained for these goods, be they ever so unwholesome, and the grocer has to meet it. Against this state of affairs the groceryman vainly struggles.

Alum baking powders are only one instance of an aggravated situation, one that is constantly growing worse. Individuals can do little to better these conditions, working alone. Concentrated, watchful, and intelligent efforts are required to banish

these dishonest and deleterious articles of trade. The National Health Society furnishes a medium whereby these scattered forces can work together for this common purpose. The society watches legislation, furthering that in the interest of pure food and opposing that which seeks secretly to let down the bars; it warns the public and puts it on its guard against deception; it fights the battles of those who would be powerless alone.

Thus, the support of the National Health Society by the grocery trade, a support constantly increasing, is readily understood.

The society's other financial reliance, that of the producers of honest and pure food stuffs, have obvious reason to contribute to its maintenance. Take the case of a concern putting up green pease—the honest article. Where State laws permit and health boards connive at the sale of the cheap, adulterated article—dried pease softened and colored with a solution of copper salts (a rank poison)—what hope is there for the honest manufacturer, to say nothing of the deceived public? So with the adulterated substitutes for or imitations of sugars, molasses, pepper, tea and coffee, flour, mustard, pickles, and the rest. Some one is needed to ferret out these cases, prosecute the guilty, and make the various health boards, State and local, do their full duty. This is the field of the National Health Society, and that the work may be constantly more effective and that its scope may be broadened, the society does not hesitate to ask the support, not only of those financially interested, but of the public generally, which, in spite of existing pure-food laws, is so deceived and imposed upon by adulterated food stuffs.

Contributions to the National Health Society take the form either of donation or subscription to one or more shares of its stock, for, as appears from the certificate of incorporation which is hereto annexed, marked "Exhibit A," the society is organized under the stock corporations law instead of the membership corporations law. This facilitates voting by proxy and precludes any pecuniary liability of subscribers in connection with any of the society's undertakings. The capital stock is nominally $5,000, but may be increased as requirements of the society and its work demand.

A copy of the society's by-laws is hereto annexed, pursuant to the request of this commission, and marked "Exhibit B." They are in the usual form, with the exception that the stockholders have the power at any time to remove the directors. This insures the conduct of the society strictly in accordance with the wishes ot those who support it.

D. J. KELLEY.

Sworn to before me this 12th day of August, 1901.

[SEAL.]

H. P. WALKER,
Notary Public, New York County.

EXHIBIT A.

Certificate of incorporation of the National Health Society.

The undersigned, all of whom are of full age, citizens of the United States, and citizens of and residents in the State of New York, being desirous of forming themselves into a corporation, pursuant to chapter 41 of the general laws, do hereby certify:

I. The name of the proposed corporation is the National Health Society.

II. The purposes for which this corporation is to be formed are to carry on the business of publishing and circulating throughout the United States pamphlets, periodicals, books, and other forms of literature relating to and designed to promote the use of pure food and discourage the manufacture, sale, and use of adulterated articles of diet, and to collect evidence of and assist in every lawful manner prosecutions for violations of the laws of the several States of the United States in relation to the manufacture, sale, and use of adulterated articles of diet.

III. The amount of the capital stock is to be $5,000.

IV. The number of shares of which the capital stock shall consist shall be 50, of $100 each; and the amount of capital with which this corporation shall begin business is $500.

V. The place in which its principal business office is to be located is the city of New York.

VI. Its duration is to be 50 years.

VII. The number of its directors is to be 3, unless increased to not more than 13, pursuant to law.

VIII. The names and post-office addresses of the directors for the first year are as follows:

Daniel J. Kelley, 31 East Seventeenth street, New York City;
Clarence J. Shearn, 32 Liberty street, New York City;
Joseph J. Cunningham, 32 Liberty street, New York City.

IX. The names and post-office addresses of the subscribers and a statement of the number of shares of stock which each agrees to take in the corporation are:

Daniel J. Kelley, 31 East Seventeenth street, New York City, 3 shares;
Clarence J. Shearn, 32 Liberty street, New York City, 1 share;
Joseph J. Cunningham, 32 Liberty street, New York City, 1 share.

In witness whereof we have hereunto set our hands and seals this —— day of July, 1900.

DANIEL J. KELLEY. [SEAL.]
CLARENCE J. SHEARN. [SEAL.]
JOSEPH J. CUNNINGHAM. [SEAL.]

COUNTY OF NEW YORK, *ss:*

On this —— day of July, in the year 1900, before me personally came Daniel J. Kelley, Clarence J. Shearn, and Joseph J. Cunningham, to me known and known to me to be the individuals described in and who executed the foregoing instrument, and they severally acknowledged to me that they executed the same.

EXHIBIT B.

By-laws of the National Health Society.

ARTICLE I.—*Directors.*

1. The number of directors of this society shall be 3, unless increased as provided by law, all of whom shall be elected by ballot by the stockholders, who shall attend in person or by proxy at the annual meeting of the society, and each director shall be elected to serve for the term of one year, or until said term is sooner terminated, as hereinafter provided.

2. Any director may be removed upon a majority vote of the stockholders of the society at a meeting duly called.

3. Vacancies in the board of directors occurring during the year, except in cases of removal, as hereinafter provided for, shall be filled by a majority vote of the remaining members of the board at any regular meeting of the board or at any special meeting called for the purpose of filling such vacancy. Vacancies caused by removal shall be filled by a majority vote of the stockholders of the society at the meeting at which the removal takes place.

4. The board of directors shall meet whenever called together by the president. On the written request of any director the secretary shall call a special meeting of the board. A majority of the board shall constitute a quorum for the transaction of business.

ARTICLE II.—*Officers.*

1. The board of directors, immediately after each annual meeting, shall elect by ballot from among their own number officers of the society for the ensuing year, and a majority vote of the whole board of directors present shall be necessary for the election of each of said officers.

2. The officers of the society shall be president, secretary, and treasurer. If deemed desirable, the offices of secretary and treasurer shall be filled by one person.

3. The president shall preside at all meetings of the board of directors, and shall act as temporary chairman at and call to order meetings of the stockholders, and shall, under the control of the directors of the society, have the general management of the affairs and shall perform all the duties incidental to his office.

4. The treasurer shall have the custody of and be responsible for all moneys, papers, books, and accounts of the society, save only such as are hereinafter directed to be kept by the secretary, subject always to the control of the board of directors.

5. The secretary shall keep a record, in proper books provided for that purpose, of all meetings and proceedings of the board of directors and also all minutes of the stockholders' meetings. He shall attend to the giving and serving of all notices of the society, and shall in general do and perform all the duties pertaining to his office.

6. Vacancies among the officers of the society during the year may be filled by a majority vote of the directors at any regular meeting of the board or at any special meeting called for the purpose of filling such vacancy.

ARTICLE III.—*Meetings.*

1. The annual meeting of the society shall be held at the office of the society on the first Thursday of January in each year, and the secretary shall send, through the post-office, at least 10 days before such meeting, a notice thereof addressed to each stockholder at his last-known post-office address.

2. Special meetings of stockholders, other than those regulated by statute, may be called by the board of directors upon 5 days' notice to each stockholder of record. Such notice shall contain a statement of the business to be transacted at such meeting, and shall be served personally or be sent through the post-office addressed personally to each stockholder at his last-known address. The directors shall also call upon like notice a special meeting of stockholders whenever stockholders representing one-third of the capital stock of the society require it.

3. At all meetings of stockholders, except where it is otherwise required by law, it shall be necessary that stockholders representing in person or by proxy a majority of the capital stock shall be present to constitute a quorum.

ARTICLE IV.—*Amendments.*

1. These by-laws may be amended at any annual or special meeting of stockholders called in conformity with Article III, upon a majority vote of the stockholders present at such meeting.

THE BORAX COMBINATION.

STATEMENT OF JOHN H. WHEELER,

President of the Western Mineral Company and director of the American Tartar Company.

For several years I have been engaged in the manufacture and sale of borax and boracic acid. I am the president of the Western Mineral Company, which produces boracic acid; and vice-president of the Stauffer Chemical Company, which manufactures borax and boracic acid, as well as many other kinds of chemicals.

My attention has been called to the testimony of Byron W. Holt, secretary of the tariff committee of the Reformed Club of New York City, in which he speaks of the borax industry.[1] From my intimate acquaintance with that business it is plainly evident that Mr. Holt is misinformed in several particulars. First, there is not a monopoly in the production and sale of borax and boracic acid. During the past 4 years the companies to which I belong have mined borates, and have invested many thousands of dollars in that business in connection with the following properties: Kane Springs, Kern County, Cal.; Columbian Borate Mines, Tenderfoot Borate Mines, and Mulesfoot Borate Mines, Daggett, San Bernardino County, Cal.; Frazer Borate Mines, 60 miles west of Bakersfield, Ventura County.

The production of all of these mines has been worked into borax and boracic acid, and sold entirely independently of the borax trust, with which they had no connection whatever, either in community of stockholding interest or in the form of agreements. The final preparation of these products for the market is performed at Daggett, San Francisco, and Chicago. These products, amounting to several hundred carloads of boracic acid and borax, have been sold in open and direct competition of the products of the Pacific Coast Borax Company, and with other producers of like goods. The products of the Ventura County mines continue to be thus sold. Several of the other properties mentioned have proved unprofitable, and have been abandoned in spite of the aid granted to the business by the present protective tariff.

The Mulesfoot group of mines at Daggett, owned and worked by the Western Mineral Company of California, are, however, still in operation at a moderate profit. This property consists of an almost unlimited quantity of ore. Even with the present protective tariff, we have been working for over 4 years with no profits up to a year ago. We have invested in the plant and in its working $100,000 at least at Daggett. We have as yet declared no dividends, and the earnings do not as yet constitute a sufficient inducement to warrant any further extension of the plant.

Mr. Holt stated that in the mining and manufacture of borax, the labor employed was chiefly Indian and Chinese, at very low rates of wages, $1 per day, or some such amount. The Western Mineral Company employs no Indian or Chinese labor, except a cook, and two-thirds of the expense of this manufacture goes for wages. The wage rate varies somewhat, but a very conservative statement would place the average wage at more than $2.75 per day. Besides this work in my own plants, I am entirely familiar with all of the borax mines and the working of the borax and boracic acid plants in California and the West, and to my knowledge Indian and Chinese labor is no longer employed in any of them. It is possible that in a very few cases, where the material is gathered from the desert plains instead of being mined, that Chinese and Indians are employed. Such plants, however, produce only a very small precentage, not more than 3 to 5 per cent at the outside, of the entire production of borax. In all of the regular mines and producing properties, American materials and workmen are used exclusively. All of the chemicals employed in the manufacture are made in California; the fuel is mined in New Mexico and California. Any discontinuance of the work would throw out of employment a large number of American workingmen.

[1] See page 567.

In all of my rather extensive experience with the borax-producing industry in the United States I have never found nor observed any borax-producing material available at a cost as cheap as that named by Mr. Holt. This product is found practically only in deserts and almost inaccessible regions, where the cost of labor, of timber, and of transportation is abnormally high. In most cases, at least, the production of borax in this country can not be cheap. In certain localities a rich ore, as that which is mined to a limited extent by the Pacific Coast Company and the Frazier Borate Mining Company, is found, but only in narrow streaks and in very limited quantities. Most of the ore found is of a low grade, more easily mined and produced, such as that which is owned and worked by the Western Mineral Company.

In my opinion any material reduction in the present import duties on borax or boracic acid would result in destroying a very large part of the industry; at any rate certainly all that part of it in which the Western Mineral Company has any interest. The removal of the duty on the refined products would certainly succeed in transferring that business to Europe. Even now a considerable trade is engaged in, particularly with boracic acid, of which monthly imports are received in the United States. In Turkey the production is much cheaper than at any place in the United States, and the industry in this country certainly could not withstand the competition from the Turkish and other foreign mines.

The American Tartar Company, of Brooklyn, N. Y., and the American Cream Tartar Company, of San Francisco, Cal., are producers of refined cream of tartar, and of tartaric acid, and have many hundred thousand dollars invested in refining plants and its manufacture as well as in other tartar and chemical products. They sell practically all of the cream of tartar employed by manufacturers of cream of tartar baking powder who are not associated with the Royal Baking Powder Company. The attention of the San Francisco factory is devoted almost exclusively to the refining of California argols. Of the so-called independent manufacturers of baking powder, there are some 50 at least in the United States with whom the American Tartar Company does business. The Royal Baking Powder Company, through the Tartar Chemical Company, which it controls and which manufactures its cream of tartar, had made very vigorous competition against the products manufactured by the companies with which I am connected. For example, in California at one time this company reduced the price of cream of tartar so low and increased the price of wine lees, the raw material from which cream of tartar is made, to so great an extent that the margin between the raw material and the finished product was so small that the profits from the manufacture were destroyed and continue so at the present day. This same vigorous competition the American Tartar Company meets continually in its New York production, a competition so vigorous that, were it not for the by-products, their whole buisness would be unprofitable. It is perhaps just to state also the independent baking powder companies are principally dependent upon the American Tartar Company, of Brooklyn, and the American Cream Tartar Company, of San Francisco, for the material needed in their business.

The tariff on refined cream of tartar is 6 cents per pound, that on tartaric acid 7 cents per pound. Were it not for this tariff it would be impossible to do business in this country, unless foreign prices should change. At the present time cream of tartar somewhat inferior in grade is quoted as low as 16 cents in Montreal. In this country, owing to competition, the cream of tartar excels in excellence that refined in other countries and still it is selling at 19½ cents just now, leaving no profit whatever. There are occasional exports of tartaric acid of higher grade than that produced abroad, inasmuch as this being manufactured in connection with cream of tartar and other products, is produced sometimes in quantities larger than the markets of this country demand. In consequence it is necessary at such times that the surplus be exported, at a price lower than the domestic.

The writer knows of the sales and affairs of Schilling's Best Baking Powder, a cream of tartar baking powder sold in competition with the Royal and other cream of tartar baking powders in the East and West. The price of this baking powder has been substantially the same as that of the Royal, though containing no starch and a higher percentage of cream of tartar than the Royal. A material difference in the methods of sale are, however, noticeable. The expense which the Royal Baking Powder Company has thought wise to put into extensive advertising has been, to a considerable extent at least, abridged in the sale of this rival powder, and the method has been adopted in its stead of giving larger discounts to retailers, who would thus be encouraged to extend its sale among private consumers as widely as possible by word of mouth instead of placards and newspaper advertising.

The greater margin necessary to secure such effort from the retailer, and the tendency among them to cut prices (thereby making such effort impossible) induces us

to persuade dealers to maintain the retail prices and thus secure for themselves living profits. Our retail customers are regularly asked to make a statement to the effect that they will not sell below the regular price.

JOHN H. WHEELER.

STATE OF NEW YORK, *County of New York:*

I, John H. Wheeler, do solemnly swear that in the above statement all matters coming within my own knowledge are true, and that all matters contained therein I believe to be true.

JOHN H. WHEELER.

Subscribed and sworn to before me this 29th day of August, A. D. 1901.

[SEAL.] WILLIAM LEAHY,
Commissioner of Deeds, 49, City of New York.

STATEMENT OF FRANCIS HOWARD HUMPHRIS,

President of the Columbia Mining and Chemical Company.

I, FRANCIS HOWARD HUMPHRIS, do make oath and declare as follows:

That I am the president and managing director of the Columbia Mining and Chemical Company, Limited. That an abstract of the remarks made by Mr. Holt[1] on May 11 has been brought to my notice. That Mr. Holt's evidence is, I am sure, unintentionally most misleading, and that his facts do not represent the present condition of the borax industry. That it is no "false and hypocritical plea that free borax would destroy the industry," as far as we are concerned. That we have now been working about 2 years; that we have spent about $120,000; that up to now we have no profit, and it is only the expectation of so doing with the help of the present tariff which enables us to operate. That low-grade propositions, such as ours, require a large capital expended before a profit can be made; that they require a large number of men to be employed, and an extensive plant, etc. That they would be compelled to close down with a lowered tariff. That whereas Mr. Holt states that "it has always been the policy of Mr. F. M. Smith to gobble up all of the new deposits which might prove of value," that this is not Mr. Smith's practice to-day, nor has it been so, at any rate during the last 2 years, in which I have been in touch with the borax industry. Our own property, for example, was in the market and known to Mr. Smith when we bought it. That our product does not pass through the hands of the Pacific Coast Borax Company, and that it is obtainable from us by anyone in the open market; that this fact is at variance with Mr. Holt's remark. That whereas Mr. Holt infers that the trust has complete control of the borax mines in California and Nevada, that this is not the case, and that the remark of Senator Perkins before the Senate, that "there could be no monopoly of the borax fields of California and Nevada," much more accurately represents the situation now existing. That Mr. Holt's remarkable quotation about crude borax being exported and sold in Europe for 2 cents at a profit, and implying the truth of the same, is so contrary to the experience of anyone handling that product that doubtless its utter impossibility will be self-evident to your honorable body from listening to anyone who is familiar with the present conditions and difficulties of its manufacture.

That, whereas Mr. Holt says that "practically all of the labor employed in the borax beds was Chinese and Indians, hundreds of whom were working for $1 a day," apart from several other companies who, of my own knowledge, only employ white labor, we have never employed either Chinese or Indians; that we have never paid in wages per man less than $2.50 a day, and for the most part $3; also that our machinery and material are entirely American products, and that all the money which we have spent or made has gone into American pockets. That I have seen and read the letter which Mr. Wheeler addressed to you; that I know the Western Mining Mineral Company thoroughly well, and that I cordially and thoroughly indorse all that he has said in that letter. That I am ready and glad at all times to reply to any question and to afford you any information for which you may ask.

F. HOWARD HUMPHRIS, M. D.

Witness:
A. R. RHEA.

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[1] See this volume, p. 567.

STATE OF CALIFORNIA,
County of San Bernardino, ss.

On this 22d day of August, in the year 1901, before me, L. C. Currier, a justice of the peace in and for the said San Bernardino County, personally appeared Francis Howard Humphris, personally known to me to be the person who is described in and whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

In witness whereof I have hereunto set my hand and affixed my private seal the day and year in this certificate first above written.

[SEAL.] L. C. CURRIER,
Justice of the Peace.

THE GLUCOSE COMBINATION.

STATEMENT OF S. T. BUTLER,

Vice-President and General Manager of the Glucose Sugar Refining Company.

The Glucose Sugar Refining Company was organized August, 1897. It is composed of the following constituent companies: American Glucose Company, Peoria, Ill.; Chicago Sugar Refining Company, Chicago, Ill.; Rockford Sugar Refining Company, Rockford, Ill.; Peoria Grape Sugar Company, Peoria, Ill.; Davenport Syrup Refining Company, Davenport, Iowa; and Firmenich Manufacturing Company, Marshalltown, Iowa.

There was no single promoter, but all leading interests were represented.

In taking in these companies, the officers signed agreements not to engage in similar line of business for a reasonable length of time.

Since the organization of the company there has been regularly paid on the preferred stock 7 per cent per annum dividends; and on the common stock, after the first year, 6 per cent per annum dividends.

The authorized capital stock of the Glucose Sugar Refining Company is $40,000,000—$26,000,000 common stock, $14,000,000 preferred stock. Of this stock there has been issued $24,027,200 common, $13,638,300 preferred stock. No bonds have been issued nor any assumed in taking over the constituent companies.

When the common stock receives 7 per cent per annum, the preferred and common share alike in the distribution of any earnings over and above this amount.

The chief reason which brought about the organization of the consolidated company was the very vigorous competition. For several years before the organization there had been little profit in the business, and for some of the companies no profit. One of them had paid no dividends for 12 years; another one which had been in existence a shorter time had never paid any dividends. It was thought that by the various economies which could be secured by concentration the business could be made reasonably profitable without increasing prices to the consumer.

Some of the economies which have actually been effected have been as follows:

By comparing the different plants one with another, and taking the best features of each, it has been possible to bring all of the plants up to the same high degree of efficiency as the best. Even the plant that was producing at the cheapest cost before the combination has, through the improvements made as a result of gathering ideas from the other plants, been enabled to produce at a cheaper cost than ever before. There have been, also, various improvements in the general method of production since the combination was made, not only decreasing the cost of production, but improving the quality of the product. The result of these improvements, particularly of those which were derived from the comparative study of the different plants, may be illustrated by the plant of the former American Glucose Company at Peoria. Before the organization, with a daily capacity of 26,000 bushels of corn, over 700 men were employed. At the present time, with a capacity of 30,000 bushels, less than 600 men are needed.

The outputs of the various factories have been, to a great extent, shaped to meet the demand of the market, thereby enabling us to run same at their full capacity a greater number of months per annum than had previously been the case.

The output of our Davenport plant has been increased over 50 per cent, and, owing to the nature of the product manufactured at this plant, the number of men have been increased over one-third of what was previously employed. Under the old management this factory ground about 7,000 to 8,000 bushels per day, and run on an average

of between 9 and 10 months out of each year. This same factory now grinds 12,000 bushels per day and runs on an average of 11½ months per year.

On account of the different locations the output of each factory is as nearly as possible distributed in the territory most advantageous to each particular plant, thereby making large savings in freight by avoiding cross shipments.

The chief raw material used in the business is corn. The manufacturing capacity of all of the plants of the company is about 100,000 bushels per day.

The main products of the manufacture are various grades of glucose, various grades of starches, various grades of corn sirups, sorghums, molasses, various grades of dextrines and British gum, besides which there are various by-products, namely, corn oil, corn-oil cake, germ meal, corn bran, gluten feed, gluten meal, and vulcanized rubber.

The total value of these products has been in the neighborhood of $25,000,000 per annum, or about 75 per cent of the total output of the country.

The company has at all times had competition, and at the present time the following companies are actually engaged in the manufacture of similar products: National Starch Company, Charles Pope Glucose Company, and Illinois Sugar Refining Company.

The effect of the various economies made by the combination of interests has been to lower the selling price of the products. Nearly all of the products show lower prices, as compared with the price of the raw material, than before the combination was effected. It has always been the policy of the company to keep the price as low as consistent.

About one-fourth of the total product is exported to the United Kingdom, Continental Europe, Australia, Canada, South America, and South Africa. The price of the export product is identical with the domestic price.

A somewhat similar result is found in regard to wages. There are employed by the company in all of its plants and offices from 2,500 to 3,000 men. In all lines wages have been advanced, in some cases 20 to 30 per cent, and in other cases even more. For example, in the Peoria plant, where the wages before the combination were 12½ cents per hour, Rockford, Davenport, and Marshalltown 11 cent per hour, the men now receive 15 cents per hour. In the case of mechanics, where the wages were, in earlier times and at the organization of the combination from 17½ to 25 cents per hour, they have now been advanced from 22½ to 30 cents per hour, and in some cases 32½ cents per hour.

Owing to the nature of the industry, and to the fact that men employed in different parts of the manufacture can not be employed the same length of time, it is necessary to pay by the hour rather than by the day.

The Glucose Sugar Refining Company does not have union labor. Generally speaking, its men have not desired to belong to labor unions, and no unions have been organized among them. In some few cases, as among the machinists and firemen, unions have been formed, and there has been in one or more instances strikes among a few men who have left the employ of the company. In those cases it was found that the company was actually paying higher wages than the standard wages among union men in similar lines of work elsewhere. At the present time the company pays hundreds of thousands of dollars each year more in wages than was paid by the constituent companies before its organization. Owing to the difficulty the company has had with the few union men, it does not favor trade unions in its business, and it has never at any time dealt with the unions as such.

Were it not for the high protective tariffs that prevail against our products in Canada, the United Kingdom, and Continental Europe, there is no doubt but what our trade would very materially increase. We have to contend against a protective tariff duty of 75 cents per 100 pounds on glucose in Canada, about 40 cents per 100 pounds in England, and $1.50 per 100 pounds and higher in Continental Europe. We believe it possible to lay down our products in Germany and France for less money than they can be manufactured for in these countries, and wherever our products are not discriminated against by duties we have built up a large and growing trade.

S. T. Butler.

September 2, 1901.

I solemnly swear that in the attached statement the matters given by me, of my own knowledge, are true, and that all other matters contained therein I believe to be true.

S. T. Butler.

Sworn to before me on this 17th day of September, 1901.

[seal.] G. W. Powers, *Notary Public.*

NATIONAL BISCUIT COMPANY.

STATEMENT OF B. F. CRAWFORD,

President of the National Biscuit Company.

The National Biscuit Company was incorporated under the laws of New Jersey, February 3, 1898. The authorized capital stock is $55,000,000, being $30,000,000 of common stock and $25,000,000 of preferred stock. Of this there has been issued, for cash and property purchased, $23,825,100 preferred and $29,236,000 common stock. Immediately after its organization the company purchased the business and property of the New York Biscuit Company, a corporation of Illinois, United States Baking Company, a corporation of Indiana, and American Biscuit and Manufacturing Company, a corporation of Illinois. Since that time other smaller properties have been purchased. The company was not promoted by outsiders, but by the men already interested in the business; and especially the presidents, directors, and other officers of the three corporations named were influential in bringing about the organization of the new company.

The product of the company includes crackers, biscuit, macaroni, cakes, candies, confectionery, and other kindred food products. About 2,000,000 barrels of flour are consumed annually in the manufacture of our product. The value of the output in 1898 was about $31,959,000; in 1899 about $35,652,000, and in 1900 about $36,439,000. The per cent of profit on sales in 1898, was 9.43 per cent; in 1899, 9.26 per cent, and in 1900, 9.11 per cent. If the biscuit and cracker business alone be considered, the output of the company probably amounts to about 60 per cent of the total output of the United States; but if the candy business be also considered, such proportion will be greatly reduced, as the company does not do 10 per cent of the candy business of the United States—probably much less. I may state here that it is no part of the plan of this company to limit production, but, on the contrary, every effort is bent to increase production; our idea being that increased sales with a reduced percentage of profit is preferable to an increased percentage of profit with reduced sales. It is with this idea that the company has, since its organization, built a new and large factory at Philadelphia equipped with all the best and newest appliances for the manufacture of its product. We have also materially enlarged the capacity of a number of our plants, and plans for the erection of other new plants are now under consideration.

The average number of employees of the company is about 14,000, and the total annual wages paid to such employees about $6,000,000. This does not include officers and managers. The company has never had any trouble with its employees and has never had any trouble with labor unions or other labor organizations.

As I have indicated, the National Biscuit Company does not have a monopoly of the biscuit and cracker business. On the contrary, it meets with competition at every point. In practically every city of any size, where we have a bakery, there are one or more competing bakeries. It is not possible nor is it desirable that we shall ever have a monopoly. I feel very sure that in our business we could never obtain a monopoly by buying out competitors or attempting to crush them by cutting prices below cost of production. Certainly it is not the policy of our company to attempt this. That we should like to sell all the biscuit and crackers consumed in the United States goes without saying; that we shall ever do so is not a possibility; but we are trying to extend our business by every fair, legitimate means. The means upon which we chiefly rely are a high standard of quality, uniformly low prices, and by extensive and systematic advertising to establish the closest possible relations with the consumer and increase the actual consumption of crackers.

We do not fix or attempt to fix the prices at which our product is sold by dealers. We have uniform published prices, and a discount of 10 per cent from these prices is given to jobbers generally.

The export business of the company at present amounts to about $500,000 per year, consisting of regular lines of goods sold in Canada, Mexico, and Cuba, at regular domestic prices, and certain hard biscuit, pilot bread, and the like, made only for export trade and sold chiefly to Central and South America. It is our intention to develop and extend the export business. The present organization affords better facilities for developing a large export trade than were possessed by the factories now owned by this company when owned and operated independently.

The company has extensively advertised its Uneeda and In-er-Seal goods and has endeavored to identify the trade-marks in the mind of the public as the stamp of perfect biscuit baking. In this way these trade-marks have acquired great value.

In addition to these trade-marks, many others, some of general use and some of local use, have been acquired with the business of the various companies whose properties have been purchased.

A corporation such as this is commonly spoken of as a single entity. It is, in fact, a kind of partnership in which all who will can join. Anyone who can accumulate $100 can now become a partner in the business, a thing which was manifestly impossible under the old régime. The tendency of business interests to organize in this manner is frequently decried upon the ground that it concentrates in the hands of a few business and property formerly owned by many. In the case of National Biscuit Company the contrary has been the result. The total number of stockholders of the National Biscuit Company in February, 1899, was about 2,100; in February, 1900, about 3,000; and there are now, August, 1901, about 4,000 stockholders. More than 1,500 of these stockholders are women, many of whom are the widows and children of those who built up and formerly operated the bakeries now owned by this company. Probably at least one-half of the stockholders are employees. Recently the company inaugurated a plan upon liberal terms for encouraging and assisting employees in acquiring stock of the company; and as a result of such plan a large number of employees are acquiring stock of the company. It is the policy of the company to encourage employees to the fullest extent possible to become owners of the business.

I would mention as among the reasons which led to the organization of the National Biscuit Company, and which justify its existence, the following: Such an organization effects a great saving in the cost of administration; it makes possible the establishment and maintenance of a uniform high standard of quality; it permits of the extension of the best methods, formulas, and machinery found in the best factories to all of the factories of the company, and makes possible a systematic effort on a large scale to discover and produce new and better methods and machinery; it results in a general increase in efficiency throughout every part of every factory through the supervision of experts; large savings are made in purchases; advertising can be carried on more systematically and with increased value; the ownership of the business is extended so as to give all employees an opportunity of becoming partners; and the field for individual promotion and advancement is now no longer limited to a few positions in the particular factory in which an employee works (as was formerly the case), but is limited only by the field of the company's activity. There are never enough good and tried men to be had in any business, and the process of finding the best men and advancing them to the positions of responsibility which need them is constantly going on.

B. F. CRAWFORD,
President National Biscuit Company.

STATE OF ILLINOIS, *County of Cook, ss:*

Before me this day personally appeared B. F. Crawford, president of National Biscuit Company, who, being by me first duly sworn, deposed and said that the foregoing statement by him signed is true to the best of his knowledge and belief.

Witness my hand and notarial seal this 9th day of September, A. D. 1901.

[SEAL.] C. N. HARRINGTON, *Notary Public.*

AMERICAN RADIATOR COMPANY.

STATEMENT OF JOSEPH BOND,

President of the American Radiator Company.

The American Radiator Company is a corporation organized under the laws of New Jersey, February 10, 1899. The authorized capital stock is $10,000,000, divided into 100,000 shares of $100 each, $5,000,000 being preferred stock and $5,000,000 common stock. There has been issued $3,000,000 of preferred stock and $4,893,000 of common stock. The principal plants of the company are located at Buffalo, N. Y.; Detroit, Mich.; Titusville, Pa.; Springfield, Ohio, and St. Louis, Mo.

The business of the company is the manufacture and sale of heating apparatus and appliances. This company produces probably about 50 per cent of the entire output of the United States in this line of production. It is evident, therefore, that we do not have a monopoly, but on the contrary meet with competition at every step. The

policy of the company is to extend its business not so much by taking business away from our competitors as by increasing the actual use of steam and hot water heating apparatus in the United States. We are endeavoring to educate the people to the advantages of these systems of heating, and are producing new and more perfect systems and apparatus to meet the demand thus created. As an instance, but by no means the only one, I may mention that we have given considerable attention to the matter of small heating plants for private residences, and are creating a new line of business in this direction.

We do a considerable export business, principally to Europe, exporting steam and hot water heating appliances. We do not sell in foreign markets for a lower price than that charged for similar articles in the United States.

This company is not so much a new organization as a reorganization. The American Radiator Company, organized under the laws of Illinois, had been in existence about 10 years; and when in the early part of 1899 it was determined to increase the capital and enlarge the operations of the company to meet its growing business, it was thought advisable to organize a new corporation under the laws of New Jersey instead of increasing the capital stock of the Illinois corporation. The new corporation, immediately after its organization, purchased the entire property and business of the old company. As I have stated, the principal reason for this reorganization was to provide a greater capital in order to enlarge our business. A further advantage is found in the purchase of raw materials, inasmuch as these can now be purchased in large enough quantities when the market conditions are favorable to carry us over periods when the market is not so favorable.

JOSEPH BOND,
President American Radiator Company.

STATE OF ILLINOIS, *County of Cook, ss:*

Before me this day personally appeared Joseph Bond, president of American Radiator Company, who, being by me first duly sworn, deposed and said that the foregoing statement by him signed is true to the best of his knowledge and belief.

Witness my hand and notarial seal this 9th day of September, A. D. 1901.

[SEAL.] EDMUND G. INGERSOLL, *Notary Public.*

PRESSED STEEL CAR COMPANY.

STATEMENT OF C. E. POSTLETHWAITE,

Assistant Secretary Pressed Steel Car Company.

The following are the answers to the questions for statement sent us in a letter of the United States Industrial Commission on the 7th instant:

1. Name of the company is the Pressed Steel Car Company.
2. Was organized January 12, 1901.
3. Is capitalized for $25,000,000, divided as follows: $12,500,000 preferred stock and a like amount of common stock.
4. The product of the company consists of freight cars, truck frames, bolsters, center plates, side stakes, brake beams, and other material for use in car construction.
5. During the year 1901 the amount of the product will be about as follows: Number of cars built, 24,300; bolsters built, 81,800; truck frames built, 39,900, in addition to a large number of other pressed-steel specialties for use in car construction. The value of this product will amount to about $24,000,000.
6. We are unable to state the percentage which this forms of the output in the United States.
7. The Pressed Steel Car Company was formed from the Schoen Pressed Steel Company and the Fox Pressed Steel Equipment Company.
8. The number of men employed by the company at the present time is 7,700.
9. So far as we are aware none of the men employed by us belong to any trade unions.
10. The company does not in any way recognize trade unions.
11. There are no imports of material similar to that manufactured by this company.
12. We have been exporting about 3 per cent of our product in our export trade, and this will undoubtedly extend largely in the near future. We have already shipped cars to England, France, Spain, Egypt, Cape Colony, and Natal. A shipment of 450 cars will be made in a few weeks to New South Wales, Australia.

13. Our prices for export are made up on the same basis as those for our domestic trade.

I swear that the statements herein made by me of my own knowledge are true and that all the other statements therein I believe to be true.

C. E. POSTLETHWAITE,
Assistant Secretary.

Sworn to and subscribed before me this 16th day of September, 1901. My commission expires January 19, 1905.

[SEAL.]

ALICE M. GODFREY,
Notary Public.

BAKING POWDER COMBINATIONS.[1]

SUPPLEMENTARY AFFIDAVIT OF A. C. MORRISON,

Secretary-Treasurer of the American Baking Powder Association.

STATE OF NEW YORK,
County of New York, ss:

A. C. MORRISON, being duly sworn, deposes and says: I reside at Hotel Martinique, in the city of New York. My business is that of secretary-treasurer of the American Baking Powder Association, a national organization of baking powder manufacturers.

D. J. Kelley, president of the National Health Society, has filed with the Commission two affidavits in the matter of my testimony regarding the relation of that society to the Royal Baking Powder Company. He does not refute my charges, but instead he not only attacks me personally, but reflects upon the honor of the commissioner of internal revenue of the Dominion of Canada and Hon. Robert Wilson, president of the senate of the State of Arkansas.

On page 398, Report of Industrial Commission, Mr. Kelley says, quoting my testimony: "We found we could reach their" (the Canadian) "internal revenue commissioner; he is on such familiar terms with the president of the Arkansas senate that he obtained a letter from him which is put in evidence, in which that statesman assures Mr. Morrison that 'the pending pure-food bill can never pass the senate and will never become a law. This is not a prediction but an assurance. My position puts it in my power to prevent its passage, and it shall not pass.'"

Mr. Kelley then adds the following sentence: "It is perhaps not to be wondered at that the American Baking Powder Association can spare none of its income to bring up a test libel suit." * * *

The inference which is to be drawn from the quotations above is obvious. As regards the Canadian internal revenue commissioner, I desire to say that I am informed that this gentleman complained that the evidence regarding the wholesomeness of alum baking power had been withheld from him by interests friendly to cream of tartar baking powder. When the testimony in favor of alum at last reached him, it threw such a flood of light upon the situation that he reversed his ruling, prohibiting the sale of alum baking power and permitted its sale.

As regards the president of the Arkansas senate, without any previous acquaintance with him whatever, I telegraphed him that I was aware that one of the anti-alum bills which had been repudiated by the Arkansas house of representatives had been introducea in the senate. I demanded a hearing and time to reach Arkansas. His reply is so complete a refutation of the unworthy inference which was clearly intended by Mr. Kelley that it is due the president of the Arkansas senate that his letter should be read in full rather than in part. The letter has already been printed in my previous testimony before the Industrial Commission, page 371 of this volume.

A. C. MORRISON.

Subscribed and sworn to before me this 14th day of October, 1901.

[SEAL.]

LOUIS C. GAERTH,
Notary Public (107), New York County.

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[1] See also this volume, pp. 364, 694.

SPECIAL INVESTIGATIONS AND REPORTS.

FOREIGN AND DOMESTIC PRICES OF AMERICAN PRODUCTS.

INTRODUCTION.

In view of the frequent assertion that exporters of American-made goods often sell them in foreign countries at lower prices than are obtained for similar goods at home, the Industrial Commission has endeavored to secure from the business interests of the United States a full and frank statement covering the efforts made to extend consumption of products in foreign markets. In sending out the schedule of questions a pledge was given that the answers should be treated as confidential, the name of the establishment concerned and the town in which it was located being withheld from publication. The commission particularly asked for exact statements as to the relative domestic and foreign prices. The following is a copy of the schedule of questions submitted:

1. Name of establishment, firm, or corporation.
2. Location of plant or of principal plants.
3. Is the establishment, firm, or corporation engaged in exporting to foreign countries goods produced in the United States?
4. If so, to what country or countries?
5. If so, to what aggregate value during your past business year?
6. What percentage of the total value of your manufactured product do your exports equal?
7. What class or classes of goods do you export?
8. Do you sell in foreign markets for a price less than that charged for exactly similar articles in the United States?
9. If so, please name leading specific articles so sold and state the price received therefor at home and abroad. (Name one or more leading foreign markets in which such goods were sold; give figures as of latest date in which sales were made abroad, and, if possible, corresponding figures for one year previous.)

Name of goods.	Date.	Domestic price.	Foreign price.	Foreign market.

10. If you sell goods for lower prices abroad, please give the reason.
11. What business policy or method, if any, would you suggest to secure for our home consumers equality of price with that charged in foreign markets by the same producers for the same goods?
12. What proportion of the entire output of the United States in your line of production is produced by your firm or corporation?

(Signed) ———— ————
(Official position) ———— ————
(Post-office address) ———— ————

There are tabulated below 416 answers received by the Commission to the 2,000 copies of the foregoing schedule of questions which were sent out, this being the total number of answers bearing upon the question of foreign and domestic prices. Approximately 300 answers stated that the establishments replying did not have any export business, and these have accordingly been omitted. While the number replying did not cover the entire list to which schedules were sent, yet the answers are suggestive and important. Every material statement bearing upon the question of domestic and foreign prices included in each of the 416 answers has been compiled and is included in either the following statistical tables or in the accompanying text. The great majority of the answers indicated that prices are no lower abroad than they are for domestic consumers, and a considerable number indicate that foreign prices are higher.

CASH SALES AND LARGE PURCHASES.

In anwer to question 10, those who state that they sell for lower prices abroad give various reasons for lower prices, which may be classified as permanent reasons and temporary reasons. The permanent reasons to which are ascribed the greatest importance are those of cash payments and large purchases in the foreign trade, whereas the domestic trade is based on credits and small purchases. One large exporting establishment, dealing in railroad equipment and mining and contractors' supplies, states that—

> In past years it was very often found that American hardware and other lines of goods similar to it could be purchased cheaper abroad than in this country. However, this condition has changed materially, and to-day there is but little difference between domestic and export prices. The size of the order governs the price more than anything else. There are many reasons why American goods should be sold cheaper for export than for domestic use in certain classes of material, the principal one being that almost invariably American manufacturers have insisted upon cash in return for their foreign shipments, whereas in this country, when selling the trade, long credits are demanded and given.

Another exporting house, dealing partly in agricultural implements, writes:

> So far as the agricultural implements industry is concerned, we do not know of a single instance where a manufacturer is selling his product at a lower price for foreign shipment, where terms of payment and conditions of sale are approximately the same.
>
> In harvesting machinery and grain thrashers, which are sold in this country direct to farmers by the manufacturers, either through branch houses or local agents, to whom commissions are paid, on terms ranging from one to three years, the prices are higher than when sold for foreign shipment. In the latter case sales are made in large bulk to responsible dealers, who pay cash or its equivalent; but the farmer in foreign countries pays much more than the American farmer, plus ocean and inland transportation and duty.
>
> On all other classes of implements, sales in both cases being made to dealers, the basis of prices at factory is the same.
>
> Prime cost, including unproductive labor, is found, and for domestic trade cost of selling and collecting is added, with desired profit, and the result is the price sold for in domestic trade f. o. b. at factory.
>
> For exportation the same figure for prime cost is taken, and expenses of selling in foreign countries, plus transportation to seaboard and boxing, are added, with same profit plus above, 2½ per cent to cover extra risk and cost of collection, the result forming the price f. o. b. vessel.

DRAWBACK AND INTERNAL-REVENUE LAWS.

Another reason for the permanently lower prices abroad, as stated by a number of establishments, is the drawback or rebate of the tariff on imported raw material of goods manufactured for export. This is particularly noticed in the sales of cut soles and sole leather, where the duty of 15 per cent being refunded in case of export trade permits a lower price in the foreign market. Also in canned goods, where a drawback is given on the tin plate of the cans in which the goods are exported, and

in wire rope, where the duty on copper wire is refunded. A somewhat similar distinction exists in the case of bottled beer, where an allowance is made from the internal-revenue duties in case of export goods.

The manufacturers of boots and shoes state, as a rule, that it is impossible for them, for various reasons, to secure the drawback, although the manufacturers of cut soles and sole leather are able to do so. Hence, the boot and shoe manufacturers quite generally recommend, as a means for increasing foreign trade, free trade in hides.

EFFECT OF TARIFF.

A number of establishments in answering question 11 recommend a reduction or a removal of the protective tariff, and a larger number oppose any change in the tariff. All answers to the schedules which include a reference to this subject are reproduced in the tables. The great majority of answers do not refer to the tariff in one way or the other, and it is natural to assume that those not referring to it are either indifferent or prefer to have it left undisturbed.

The following correspondence has been received from one of the establishments answering the schedule questions. In view of the attack made on the methods of a particular combination, the Industrial Commission addressed a letter to the Amalgamated Copper Company on the subject, to which the following reply was received:

We inclose you herewith a marked copy of the Metal Market Report. We wish to call your attention to the fact that copper is selling in London at 14 cents, while here it is 17 cents. Yet the Copper Trust is exporting copper to London. Query: What price is the exported copper being sold at in London while they are maintaining a 17 cent price in this country?

We do not wish unnecessarily to trouble you with our correspondence, but to impress upon you this fact, that if copper was sold at its proper value the exports would largely increase, both of the raw material and manufactured goods, and consumers of this country would not be obliged to pay an exorbitant price, while the excess is sent out of the country and sold much lower. * * *

We feel quite sure if the duty is abolished on both copper ores and ingot copper we would never be obliged to pay the demands of one of the most powerful trusts that ever existed in this or any other country.

NEW YORK, *Oct. 17, 1901.*

DEAR SIR: Your letter of the 14th instant, addressed to the Amalgamated Copper Company, has been handed to us, as we are the selling agents for the copper produced by the various constituent companies of the Amalgamated Copper Company, and also of other copper companies.

We beg to inform you that we have sold during the past two years, and at present sell, copper of equal grades at the same price in this country and abroad; also that, to the best of our knowledge, there is no import duty in this country on either copper ore or refined copper.

Yours truly,

UNITED METALS SELLING CO.

FOREIGN TARIFF AND EXPENSES OF SHIPMENT.

A few establishments reply that they make lower prices in order to overcome the tariff of other countries. This applies particularly to Canada, instances of which will be noticed in the tables. Along with this reason for lower prices is given that of the expenses of shipment—insurance, freight, and extra boxing and packing preparatory for an ocean voyage. Occasionally it is stated that the prices for export are given f. o. b. vessel in New York, whereas prices for domestic goods are f. o. b. factory. In these ways a partial concession is occasionally made in order to promote the foreign trade. With this handicap in view, a few establishments recommend measures for securing reduction of duty in foreign countries, lower freights on ocean shipments, and consolidation of business establishments in order to assemble goods in larger quantities and secure more favorable ocean freight rates.

There is a curious contrast with the foregoing, in that a number of establishments give the expense of shipping as the very reason for getting higher prices from the foreign trade. The explanation of the contradiction is probably found in the fact,

as stated by quite a number of establishments, that the reason for lower prices abroad is foreign competition, and it would naturally be inferred that this is the real reason why, in certain cases where foreign competition is weak, no reductions are made on account of export expenses of shipping, whereas in other instances, where foreign competition is strong, such reductions are made. At any rate, it must be borne in mind that these remarks apply to but a very small proportion of the establishments which returned answers, since, as already stated, the great majority declare the prices are no lower abroad than at home.

On this subject an establishment, not included in the tables, writes:

We have given you all the information that we are in possession of at this writing in regard to other manufacturers selling to foreign countries at lower prices. You will notice we have stated we are told that they do. I know this, that personally in marking prices to merchants in Canada I have been obliged to quote a lower price than I would be willing to sell the goods for in this country in some cases. Of course I would not say but that I would sell them as close here if they would buy them the same way as merchants buy from there, that is, put up in bundles instead of boxed, but the merchants in foreign countries, outside of Canada, are not willing to buy goods that way. They wish everything boxed and labeled. The duties in Canada for our line of goods almost prohibit our selling anything over there.

NEW MARKETS.

Besides the foregoing permanent reasons for lower prices abroad, there are several establishments which assign what may be called occasional or temporary reasons, especially the need of securing new markets or of disposing of their surplus product. One of the exporting houses quoted above states that "in order to create a demand for American material low prices had to be made originally, in order to compete and establish a market. After this was accomplished prices could be raised as the demand had been created and people abroad educated to the advantages of American goods."

Another exporting firm, selling to all parts of the world except Europe, writes that:

An experience of 25 years on the part of ourselves and our predecessors has indicated to us that the export trade and the home trade are very much alike in one respect. Whenever a new market is attacked competitively by a domestic manufacturer, he has to reduce his price until he has forced his way in. When he has his feet down, and has what he considers his fair share of the trade, he generally sells at the same prices as his competitors. So in the export trade—the American manufacturer in fighting his way into the markets of the world finds it necessary, in order to introduce his goods, to offer advantages. Doubtless at times these advantages are greater than the prices made to the domestic buyer—just as the prices made in Texas may be lower than those made in Ohio because the manufacturer is trying to create a Texan trade. When the export trade is secured, however, there is no reason to believe that the American sells for export any more cheaply than he does for domestic trade. It is a fact, however, that in the majority of cases the manufacturers do not do their own introducing of their goods—they employ a merchant or "middleman" who has a footing in foreign countries. This merchant assumes all the risks, makes the foreign expenditures, and asks from the manufacturer a concession equivalent to what the manufacturer would spend himself should he attempt to introduce his goods without the merchant's intervention.

We are without experience as buyers for the domestic market as our purchases are exclusively for export, yet we know that we, in most cases, pay the same prices as domestic buyers of equal quantities.

Sometimes export prices are higher than the home prices where the goods have been thoroughly well introduced abroad and the foreign competition is less severe than domestic competition.

Another establishment, desiring the name of its product to be kept confidential, writes:

One reason why we get better prices abroad than we can at home is because our goods are of a better quality than what is made abroad, and another reason is that we do not use the foreign country as a dumping ground. We keep the supply a little short of the demand. We also have *our own* salesman abroad, speaking the language

of the trade, and a *brand* that we sell in one market we will not sell in another market, nor will we sell two customers in the same market the same brand. We sell in the money of the country by the measurements and weights of each country, and in every way endeavor to conform to the market in which we sell, and the customer knows in advance just what his goods will cost him at the door of his store.

We have been at this business abroad for over thirty years, and when once established it is held without any trouble. If other American manufacturers would adopt our methods, we are sure they, one and all, would get better prices abroad than at home, if their product is *exportable*.

SURPLUS PRODUCT.

A few exporters indicate that prior to 1898 prices were lower abroad than at home, and that this condition was brought about in order to keep a stable market in this country, and, as one establishment puts it, "We want the foreign market to cut our price in, so as not to disturb the domestic market." "Naturally enough," says one correspondent, "when American mills or factories are short of orders and trade is at a low ebb, they sell in foreign markets at cheaper rates in order to clear out stock, or to keep their men employed and their works running. This is only a business proposition, and one which admits of no argument as to its advisability and business sense."

Another firm which exports in part agricultural implements, states that this condition, while it formerly existed, has become nearly extinct, so far as the foreign trade in implements is concerned. The writer continues:

My investigations have shown that the dealers in foreign countries are not satisfied with the per cent of profit usually made by American dealers; there are many reasons for this, which I will not go into. It is not infrequent that dealers in foreign countries will add 100 per cent to the laid-down cost of an implement when selling to the farmers, and their terms of sale as a rule are not as liberal as in this country, so that the farmers of Europe and other countries pay much more than the farmers of this country for the same tool."

Other establishments state that prices are more stable abroad than at home, and consequently when they are high here they will be lower abroad, and that they continue to sell under such conditions in order to keep up their connections.

It should be noted that a number of establishments give a general answer that average prices at home and abroad are about the same, not indicating how this average is computed. An answer of this kind may be taken to mean either that the average prices of different goods at the same time are equal, in which case one line of goods may be sold at lower prices abroad while another line is sold at higher prices abroad. Examples will be found in the tables of circumstances of this kind. Or the answer may be taken to mean that the same goods are sold at lower prices abroad at one time and at higher prices abroad at another time. In such a case the inference might be drawn that lower prices are made to establish a trade or to sell a surplus without disturbing the domestic market, and that at later times, when the trade is established or when the domestic market recovers, then prices may be higher abroad than at home. Quite a number of answers hold that market conditions determine whether or not prices are lower or higher than at home, and that taking both markets at different times and on different lines of product the prices will average about the same.

Examples of each of the foregoing classes of answers will be found, in the words of the correspondents, in the following tables and accompanying text. The industries have been roughly grouped together; in some cases according to natural distinctions, and in others by a more arbitrary grouping, depending mainly upon the numbers of answers received from representatives of the several industries.

MACHINERY AND METAL PRODUCTS.

Establishment No. 15, which produces about 5 per cent of the American structural steel for buildings and bridges and sells about 1 per cent of its products abroad, at prices no lower than domestic prices, writes: "It is good policy to keep production

up to maximum, and, if necessary to do this, to make lower prices for export, which tends also to keep domestic prices at a proper level."

Establishment No. 16, which manufactures about 60 per cent of the American output of iron pipe, writes: "We meet competitive prices of foreign manufacturers in all markets of the world. Such prices are at times higher and at other times lower than domestic prices. Certain of our high-grade products, such as well casing—drive-pipe and tubing—are invariably sold on a parity with domestic prices, and frequently at higher prices. To demonstrate variations in the relation of foreign and domestic prices, we direct attention to the sale of 90 miles of 4-inch line pipe at 24¼ cents per foot, against a domestic price of 28.85 cents. This sale was made at price quoted by foreign manufacturers. Also sale of casing to Australia of $90 per ton, price for same class of material in domestic market being $75 per ton."

The following table includes these and other examples:

Name of goods.	Date.	Domestic price.	Foreign price.	Market.
		Net ton.	*Net ton.*	
Line pipe	Jan. 28, 1900	$62.40	$61.20	Dutch East Indies.
Black merchant pipe	Apr. 22, 1900	54.00	46.50	Mexico.
Galvanized pipe	May 15, 1900	76.00	73.40	Do.
90 miles 4-inch line pipe	June 22, 1900	[1] .2885	[1] .2425	Dutch East Indies.
Well casing	Aug. 24, 1900	75.00	90.00	Australia.

[1] Net per foot.

In answering question 10 this establishment writes:

The cultivation of foreign trade was commenced during the last decade. Strenuous efforts to secure this business were not made until 1896. That year found the demand so limited in the United States that prices sunk to an abnormally low level, and it was discovered that our ordinary price to consumers here was sufficiently low to secure foreign business. Consequently an active campaign was commenced to obtain as much thereof as possible, that our tonnage might thereby be increased, with the resultant reduction in cost. In order to obtain the largest possible foreign distribution, connections were made with the large foreign distributors. This campaign resulted in our gaining a firm foothold in the various markets of the world, which we have endeavored to since hold by meeting market conditions, whether higher or lower than the domestic market.

In answering question 11 this establishment writes:

The extension of our business to the utmost limit in foreign countries will so increase our aggregate tonnage that our costs of production will be reduced to a minimum. With low cost, the domestic consumer will, over an average period, obtain his commodities at lower prices. We believe that during a period of general prosperity and large demand the seller will endeavor to obtain the highest possible price for his product, but during a period of underdemand, with low costs, he will seek the consumer, who will then participate in the benefits due to low cost of production by reason of large tonnage. To throw down the tariff, as suggested by some, to our mind will not result in benefit to the domestic consumer. It will retard the volume of tonnage produced by domestic manufacturers, and thereby tend to increase their costs and render them less liable to meet demands of the domestic trade for low-priced goods, when the general conditions require that they should be favored.

Another establishment, which presents a general letter without filling out the schedule, and which is therefore not included in the table, writes:

Our quotations for export are almost identical with those for home consumption, but in some instances we have had to be guided by the price prevailing in foreign markets. In such instances we have had to consider whether or not the value of prospective business in a particular market would warrant our acceptance of initial orders at the prevailing price, and where the answer was clearly in the affirmative we have felt inclined to do so, if the difference was but slight. In this we have been guided by the belief that when the merits of our products were fully known in such markets they would command full prices. * * * Further reasons which would commend themselves to us for making slightly lower prices abroad than at home, where necessary, would be the desire to provide a safeguard against periods of depression in domestic markets, in order that our mills might be run continuously at average prices, which would permit us to pay to our men at all times a generous wage.

Establishment No. 27, which sold machine tools to the amount of $40,000 in 1900 in foreign countries, states: "We are at present obliged to sell about 5 per cent lower abroad if we wish to secure any of their business." Answering the question as to means for securing equality of prices for home consumers, they say: "If the demand is good in this country, foreign buyers must pay as much and more."

Establishment No. 37, which sold in the 7 months from January to August, 1901, $20,000 worth of a special machine tool at prices about 5 per cent less than those obtained in the United States, writes:

Export trade is an extremely important factor for everyone engaged in building machine tools. The trade was saved from widespread disaster in the years from 1893 to 1897, during which there was great depression in the United States; but business was very good in Europe, and they took from 50 to 75 per cent of all the output of the tool builders in the United States. The present duty on machinery of 40 per cent is entirely unnecessary, because the United States is in the lead and has no cause to fear the foreign machinery builders. A reduction of the duty is advisable from every point of view. At present it gives the foreign machinery builders the strongest kind of an argument for the advance of their duties. Our duties should be no higher than they are in Germany or France. We have been informed upon excellent authority that this duty is supported chiefly, if not wholly, by the manufacturers of farm tools and machinery, which are said to be sold in Europe at much lower prices than in the United States, and that this duty is for the purpose of preventing the reimportation of these goods. There is no branch of the machinery trade that would not be greatly benefited by a large reduction in the tariff. A duty of 10 per cent would be ample for all practical purposes.

Establishment No. 38, which sells three-fourths of its product of sugar, coffee, and rice machinery abroad, to the amount of $100,000, states:

In view of the enormous expenses consequent to developing the foreign demand for our product, it is imperative that we sell at higher prices than we do at home in order to insure for us a legitimate profit. Advertising in foreign publications costs more, our Spanish literature is more expensive, Spanish clerk hire is costly, and the expenses of personal solicitation in far-off countries, coupled with the fact that much of the machinery sent abroad must be altered to suit the special whims of the purchaser, compel us, and we believe everyone else, to sell the foreign output at a considerably higher price than in the United States. Then comes the item of special packing to facilitate transportation in mountainous countries, forwarding charges at port of departure, and a lot of other expenses to which a shipment in the United States is never subjected. We are enjoying a remarkably fine export trade at present, but it has cost us years of labor and a great deal of money to attain it.

Establishment No. 59, which manufactures about 40 per cent of the locomotives in the United States and exports about 30 per cent of its product, states that they "endeavor to maintain fairly uniform prices abroad, avoiding large fluctuations due to fluctuating prices of materials at home; but the average prices received from abroad are higher than average prices received from the United States."

Establishment No. 63, manufacturing locomotives, states that exports at the present time are small, owing to heavy domestic demands, and that they do not sell at a lower price abroad.

Establishment No. 80, producing lithographic supplies and machinery, states that "lower prices are only made when we are in competition with foreign markets," and that "we sometimes take orders at lower prices abroad than at home in cases where the increased output will decrease the cost of manufacture, and thus enable us to reduce our prices at home."

Establishment No. 75, manufacturing printing machinery, states: "We sell through agents and allow them 10 per cent for selling and collecting expenses. The users of our machinery abroad pay about the same as the users here."

Establishment No. 73, manufacturing steam fire engines, etc., states, "We sell our steam fire engines at a discount of about 10 per cent, which just about equals the cost of selling in the United States."

Establishment No. 67, which sells high-speed engines in Berlin at prices slightly lower than the domestic price, states that "foreign shipments are paid for before

leaving New York. Domestic shipments are paid for after erection and test, which sometimes means a delay of three or four months before payment in full is obtained. Similar terms would undoubtedly bring equal prices."

Establishment No. 79, manufacturing printing presses, states that cash payments are the reasons for selling cheaper abroad.

Establishment No. 65, manufacturing boilers, etc., says that home consumers can secure equality of price only by an "entire revolution of the credit system. American consumers pay too many bad debts in increased prices necessary for goods sold on time. Credit is too easy in America."

Establishment No. 76, which sells printing presses at 25 per cent discount to domestic purchasers and 33⅓ per cent discount to foreign purchasers, recommends "reduction in tariff on raw material."

Establishment No. 78, manufacturing printers' material, and selling at lower prices abroad, states that the difference of 5 per cent between foreign and domestic prices is necessary on account of the lower prices of English and German goods in their line. They say that home consumers can not get similar prices "under the present trade conditions. The surplus goes abroad. If foreign trade were cut off we should have to charge the same at home or lose money."

Establishment No. 61, which sells car couplers and vestibules to a limited extent in England, states that they "would be shut out of Germany, France, and Russia by duty on iron," and that if they should sell goods for lower prices abroad it "would probably be to get rid of surplus stock or to get them started by reasonably low prices, not expecting to make a profit."

SEWING MACHINES.

Establishment No. 89, which sells over $300,000 worth of sewing machines yearly in foreign countries, states that "export prices are generally about the same as wholesale prices in the United States," but that they do not attempt to regulate the prices at which their machines are usually sold to users abroad. The selling expenses are less abroad than in the United States. Reasons for making lower prices abroad in such cases as are necessary are "retaliatory duties and competition of foreign-made goods."

MISCELLANEOUS MACHINERY.

Establishment No. 109, which sells about 1 per cent of its product in foreign markets, states "competition in the United States market is keener in our line, and we have oftener to cut prices to good trade in domestic markets than in foreign. Home consumers get our goods cheaper, as a rule, than do foreigners."

Establishment No. 112 states that "the lower prices made for Canada are necessary on account of the high tariff in that country, and lower prices for Europe, especially Germany, are necessary on account of transportation charges." They add, "No business policy could equalize prices in our line of manufacture, as transportation charges are about the only rebate allowed by us, with the exception of Canada, where it is the tariff."

Establishment No. 125, which sells large quantities of copper wire and wire ropes in foreign countries, states that "in some cases we cut price, in others about the same, and in a few cases less;" and that "copper wires we do not sell at lower prices abroad than here. Sometimes wire ropes are sold at less price, owing to our receiving rebate of duty paid on imported raw material when made into ropes for export."

Another establishment, not included in the schedules, which owns patents in all countries on a textile machine and manufactures machinery for sale to textile mills, but generally licenses these machines, states that "the sales of machinery are made on the same basis in different countries, except as to terms, and that these are more

favorable in foreign countries, since they are based on cash against bill of lading. All those sold in this country are made on basis of never less than cash, 30 days."

Establishment No. 148, selling hardware and tools occasionally at lower prices abroad, gives as a reason, "foreign competition or the fact that with less purchasing power of the masses to secure the market a certain price or value can not be exceeded."

Establishment No. 153 ascribes the differences in foreign and domestic markets to the fact that foreign prices are more stable, and therefore some years ago when prices in this country were high they sold for less, but for the last two or three years domestic prices are 10 to 15 per cent below export prices. The reply to question 11 is: "As export trade buys in large quantities, we think larger orders for the same class of goods at home would remedy the evil where it exists, if it does so exist at this time."

Establishment No. 144, manufacturing about one-tenth of the cut nails of the United States and exporting one-fourth of its product, states: "To dispose of our surplus product, foreign goods are sold at loss; same must be made up in price of domestic article." Remedy suggested in order to equalize prices is limitation of production.

Establishment No. 173 gives as a reason for lower prices abroad in hardware: "To increase the volume of business which reduces the percentage of fixed charges per single tool. We want the foreign market to cut our price in so as not to disturb the domestic market. The consumption of tools is limited; consequently cutting the price does not increase the consumption per annum."

Establishment No. 147, which exports $300,000 worth of hardware specialties, and produces about one-third of the United States output, makes lower prices on the cheaper grades of goods for foreigners, although charging equal prices on other grades, gives as a reason: "Because we increase our output, thus reducing cost, and because in some countries we are forced to compete with their home manufacturers, who get cheaper labor, and in some instances cheaper material. We think, all things considered, the home consumers are better off under existing circumstances, even though they pay more."

Establishment No. 168, which exports about one-third of its product and produces one-fifth of the United States output, gives as a reason for lower prices abroad on some lines of goods: "To compete with the products of Germany and England, where labor is lower grade than we employ." They add that free trade would produce a crash, although it would permit Americans to use foreign products. Home consumers "being close to sources of supply have advantages (1) in the case of transportation; (2) in competing more nearly direct. English and German manufacturers have some advantages that Americans do not enjoy: (a) Cheaper ocean transit charges on their export; (b) better commercial facilities for reaching and ofttimes controlling distant market. These are factors of importance."

Establishment No. 163, which sells $50,000 worth of wire and manila rope at cheaper prices abroad, gives as a reason: "Because we manufacture such goods from imported material; a good drawback on exports."

The establishments referring to the tariff in answer to question 11 are the following: No. 61 says that "to take off the tariff would not help us abroad except in England. Other countries build the same wall." Establishment No. 41, manufacturing sawmill machinery, favors "low tariff or for revenue only." Establishment No. 47, manufacturing turret lathes, says: "Abolish duties on all goods that can be produced here cheaper than elsewhere, especially on goods controlled by a monopoly." No. 50, manufacturing hoisting machinery to the extent of 25 per cent of the American product, advocates "careful and constant revision of tariffs and reciprocal treaties by a permanent nonpartisan commission." Establishment No. 57, manufacturing 30

per cent of the American product of cars and trucks and shipping 20 per cent of its output, advocates "a regulation of tariff on raw material, placing the manufacturer on the same basis as the foreign manufacturer."

Establishment No. 145, exporting $20,000 worth of wrenches and charging same prices abroad as at home, recommends removal of the tariff in cases where American producers charge less in foreign countries.

Establishment No. 149, which reports slightly lower prices for foreign purchasers, gives as a reason, "Prices have advanced here, and we can not alter our foreign prices as quickly; hence their advance is not yet as great." They add as a recommendation: "Absolute free trade, duties to be levied only on goods which can not be purchased here; or, if tariff be levied on foreign goods which we produce, then tax ours an equal amount."

Establishment No. 151, which exports anvils to the amount of $10,000 and produces 80 per cent of the American output, gives as a reason for lower prices abroad: "If offered for sale at home prices, could secure no order. We sell practically at cost to meet foreign competition." They add that to secure equality of prices for home consumers it would be necessary to abolish the tariff and "compel our workmen to accept the low wages paid in foreign countries so as to permit us to compete. This would have the desired result, and in addition bring some wreck and ruin. If we had to sell all of our product at the export price, we would go into bankruptcy, but the export business will help to gradually permit lowering prices at home."

Establishment No. 175, which produces upward of 90 per cent of the American product of the articles mentioned and does not charge lower prices to foreigners, recommends judicious, business-like revision of the tariff, reserving just enough upon each article so the United States can manufacture and sell.

Establishment No. 174, which sells at 10 per cent less in Canada than in the United States, gives as a reason: "They pay a duty of about 30 per cent, and to compete with goods made there we must sell lower, or not at all, and 10 per cent is all we can stand; but this does not give us much trade." They say that Germany sells pliers in our country at 10 to 25 per cent less than our goods cost to make, and they pay a duty of 30 to 35 per cent. "In Canada, Germany sells pliers at about 40 per cent less than we can. If we met German prices we would not get cost for our goods, and this is true of any goods into which the cost of labor enters largely."

MACHINERY AND METAL PRODUCTS.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
1	Sheet metal, rods, etc.	Canada, England, and Germany.	$20,000.00	1/10 of 1	No lower.
2	Metallic flexible tubing.[1]	All countries	15,000.00	30	Do.
3	Copper wire and sheets.[2]	British colonies, Italy, and Canada.	150,000.00	2	Wire same price, sheets lower, owing to English competition; 2½ per cent lower for Canada.
4	Cornices, sheet metal, ceilings, etc.	Spanish-speaking countries.	13,137.35	10	No lower.
5	Metal ceilings and side walls.[3]	All countries	25,000.00	12½	Do.
6	Bridges and structural steel.	South Africa, Argentina, South America, and Cuba.	8,852.00	(4)	Do.
7	Malleable iron and steel castings.	Australia and England.	10,000.00	⅛ of 1	A little higher.

[1] Produce entire output United States.
[2] Produce about 15 per cent United States output.
[3] Produce about one-fifth United States output.
[4] Small fraction.

MACHINERY AND METAL PRODUCTS—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
8	Steel plates[1]	England, South America, Mexico, and South Africa.	(2)	5	Somewhat less. Tank plates: Domestic, $1.78; foreign, $1.65. England and South America, July 1901. To work off surplus product.
9	Pipe iron (skelp)	England and Scotland	$36,696.63	4½	Skelp—Domestic: July, 1900, $1.40; August, 1900, $1.40–$1.30; October, 1900, $1.50; November, 1900, $1.30–$1.35. England and Scotland: July, 1900, $1.50–$1.65; August, 1900, $1.50–$1.40; October, 1900, $1.30–$1.50–$1.65; November, 1900, $1.42½.
10	Castings and 5-ply welded chromo steel and iron.	Australia, New Zealand, Nova Scotia, Canada, England, and Mexico.	38,000.00	8⅓	No lower.
11	Steel plates and castings.[3]	Canada	10,000.00	1	Do.
12	Iron and steel[4]	Italy, France, Austria, Germany, Belgium, England, Scotland, etc.	1,327,378.00	15	Do.
13	Steel plates	Canada, Australia, British Islands, and Mexico.	100,000.00	3	No lower, but sometimes cut prices, both in United States and abroad to secure business.
14	Malleable iron castings.	Germany	1,000.00	⅛ of 1	Higher. Malleable castings: Domestic, 3½ cents per pound; Germany, 4 cents, May, 1901.
15	Structural steel[5]	South America, Mexico, Africa, and Japan.	10,000.00	1	No lower.
16	Pipe, etc	All countries	2,602,580.12	6 24/100	Sometimes higher, sometimes lower (see text).
17	Tires, misel, forgings, and castings.	Canada, England, and Mexico.	22,271.31		No lower.
18	Metal ceilings and walls.	South America, South Africa, England, Spain, Mexico, Nicaragua, Canada, etc.	25,000.00	12½	Do.
19	Filing devices[6]	South America, Japan, and England.	25,000.00	5	Do.
20	Machine tools	British Islands and Continent.	90,000.00	30	Same price.
21	Boring machines, machinery.[7]		20,000.00		5 per cent less.
22	Machine tools	Europe, Asia, Africa, South America, Australia, New Zealand, and India.	300,000.00	50	No lower.
23	Automatic nut machines (patented).[8]	France and Germany.	7,420.00	50	Do.
24	Drill chucks	Great Britain, Germany, and France.	356.77	¼ of 1	Same price with one exception.
25	Metal planing machines.[9]	Europe, South American countries.	7,000 00	12	Lower by the cost of boxing and delivery to vessel.
26	Machine knives[10]	All countries			30 per cent higher.

[1] Produce about 10 per cent United States output.
[2] 6,000 net tons.
[3] Produce about 2 per cent United States output.
[4] Produce about one-fifteenth United States output.
[5] Produce 5 per cent United States output.
[6] Produce nine-tenths United States output.
[7] Produce from 50 to 75 per cent United States output.
[8] Produce total output of this patented article.
[9] Produce about 10 per cent United States output.
[10] Produce one-fifth United States output.

MACHINERY AND METAL PRODUCTS—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
27	Iron-working machinery.[1]	All countries	$40,000.00	25	Lower at times; 25″ by 10′ engine lathe, December, 1900, domestic, $525; Berlin, $500.
28	Machine tools[2]	Europe, South America, China, Japan, Canada, and Australia.	136,000.00	40	About 2 per cent less to cover freight and to meet lower prices of foreign-made goods.
29	Chucks	Europe, Asia, Africa, and Australia.			No lower.
30	Machine tools[3]	All countries			Do.
31	Three-wheel pipe cutters.[4]	Fundamental Europe, England, Australia, and South America.	4,000.00	10	No distinction.
32	Pipe cutting and threading machinery.	All countries		33⅓	Same price.
33	Lathe chucks, organ stop knobs and machinists' tools.	Great Britain, France, Germany, Switzerland, and others.	5,000.00	5	Some discount, but sell mostly to commission houses.
34	Tools	All countries	35,000.00	25	No difference worth mentioning.
35	.....do	Canada, England, Russia, and others.	3,420.00	10	No lower.
36	Chucks[5]	Europe, Asia, Africa, South America, Australia, etc.	35,000.00	35	Do.
37	Machine tools	Europe	[6]20,000.00		5 per cent lower.
38	Sugar, coffee, and rice machinery.	All countries producing sugar, coffee, and rice.	100,000.00	75	Higher.
39	Road machines, rollers, and block crushers.	Australia, Europe, and South America.	30,000.00	15	Better wholesale prices from foreign buyers than our maximum wholesale price in the United States.
40	Mining machinery	Mexico, South America, New Zealand, etc.	12,000.00	8 to 10	No lower, with possible exception of freight allowance to Atlantic seaboard in a few instances.
41	Sawmill and coffee machinery, etc.[7]	Latin America			Higher. Try to make them equal.
42	Threshing machinery and sawmills.	.....do	11,023.72	25	No lower.
43	Engines, blowers, forges, drills, blacksmith machinery.	All countries	56,500.00	10	Higher.
44	Cotton gins, oil well, and shoe machinery.	England, Russia, France, and Germany.	25,000.00	6	Same price.
45	Laundry machinery[8]	England, France, Belgium, Germany, South America, and South Africa.	10,000.00	15	Same price. Sell mostly to dealers. Would sell at less prices to get trade established.
46	Fertilizer mill machinery.	Canada, Mexico, Cuba, South America, Hawaii, Italy.			No lower.
47	Turret lathes	England, France, Germany, etc.	40,000.00	20	Do.
48	Air-compressors	Europe, Japan, Australia, and Mexico.	24,000.00	6	Trifle greater price and much better and quicker settlement. Almost always C. O. D.
49	Machinery	England and Germany.	20,000.00	5	Prices the same for home and for export.
50	Hoisting machinery[2]	All countries	50,000.00	10	No lower.

1 Produce about 3 per cent United States output.
2 Produce about 25 per cent United States output.
3 Produce about 15 per cent United States output.
4 Produce about 50 per cent United States output.
5 Produce about one-sixth United States output.
6 Seven months.
7 Produce 20 per cent United States output.
8 Produce probably 10 per cent United States output.

MACHINERY AND METAL PRODUCTS—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
51	Steam shovels, dredges, etc.	Mexico, Central and South America, Russia, China, etc.	$100,000.00	15 to 20	Same price usually.
52	Power transmitting and crushing machinery.	Europe, Asia, Africa, and Australia.	....	....	No lower.
53	Derricks, hoisting engines.	South America, Cuba, and Porto Rico.	3,000.00	5	No distinction.
54	Presses, dies, etc....	All countries.........	60,000.00	33⅓	Same price.
55	Mining and crushing machinery.	.....do	200,000.00	15	Usually 5 to 10 per cent higher.
56	Steel road scrapers..	Mexico	5,000.00	5	No lower.
57	Cars and trucks......	All countries	750,000.00	20	Do.
58	Brakes..............	Mexico, South America, South Africa, and Argentina.	115,000.00	1 3/10	No lower; frequently higher.
59	Locomotives[1]	Europe, Asia, Africa, South America, and Australia.	5,081,019.84	30	Average foreign prices higher than average domestic prices.
60	Coal-handling machinery, railroad cars, narrow-gauge railways.	Great Britain and Continent.		20	Exactly the same.
61	Car couplers and vestibules.[2]	England..............		(3)	No lower.
62	Manganese steel car wheels and crusher parts.	Mexico, Canada, South America, and Japan.	5,200	½ of 1	Do.
63	Locomotives[4]	All countries.........	....	....	No lower. "Domestic demand so heavy that exports are at present small."
64	Narrow and standard gauge freight cars.	Cuba and South America.	215,019.41	20	No lower.
65	Boilers, engines, etc.	All countries	60,000.00	5	A little better; sell strictly for cash at tide water.
66	Boilers and engines .	Canada, Mexico, England, France, Italy, Holland, and Denmark.	15,000.00	1	No lower.
67	Steam engines and boilers.	Germany, Russia, Venezuela, Brazil, Mexico, etc.	25,000.00	10–15	Lower, sometimes. High-speed engines, domestic, $1,200; foreign, $1,150 (Berlin).
68	Steam engines and electrical machinery.	All countries	5,000.00	3	No lower.
69	Steam engines[5]	Holland, Australia, and Mexico.	1,050.00	60	No lower. In former years sold lower sometimes to dispose of surplus stock.
70	Automatic engines for electric service.	All countries	27,600.00	10	No lower.
71	Engines, boilers, and sawmills.	.....do	....	15	Do.
72	Gasoline engines[6]...	Canada and Mexico..	15,000.00	5	Do.
73	Steam fire engines, pumps, etc.	Canada, Cuba, Central and South America.	10,000.00	4	Discount 10 per cent, which just about equals the cost of selling in the United States.
74	Engines and boilers .	All countries	200,000.00	33⅓	No lower; get higher price in Mexico.
75	Printing machinery[2]	England, Germany, Russia, Australia, New Zealand.	12,000.00	5	Agents for foreign sales get about 10 per cent for selling and collecting. Foreign users pay about same as domestic.
76	Printing presses	England and colonies.	17,000.00	8	Domestic discount, 25 per cent; foreign discount, 33⅓ per cent.

[1] Produce about 40 per cent United States output.
[2] Produce about 10 per cent United States output.
[3] Very limited.
[4] Produce about two-thirds United States output.
[5] Produce about 1 per cent United States output.
[6] Produce 15 per cent United States output.

MACHINERY AND METAL PRODUCTS—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent	
77	Printing machinery.	Great Britain, Canada, Australia, Norway, Sweden, Russia, Mexico, and South America.	$50,000.00	16	No lower.
78	Type, printers' material, and printers' machinery.[1]	Europe		15	About 5 per cent less.
79	Printing presses	England and Australia.	330,450.00	5¼	Not less than average price obtained here from the consumers.
80	Lithographic supplies and machinery.	Cuba, Mexico, and South America.	15,000.00	3	Lower, sometimes. Export prices based on prices made to our largest domestic consumers.
81	Printing presses and material.	Principally England and colonies.	17,000.00	8	Lower. Domestic price, 25 per cent discount; foreign price, 33⅓ per cent.
82	Wheelbarrows and scrapers.	Mexico	5,000.00	5	No lower.
83	Cutter heads[2]	Canada, England, Mexico, and South America.	1,000.00	1	Usually lower, on account of Canadian tariff of 35 per cent.
84	Wood workers' edged tools.[3]	Canada and China			Same prices.
85	Table-leg machines	England	800.00		Do.
86	Machines for wood and metal work.	All countries		25	No lower, except in some cases.
87	Wood-working machinery.	England and other countries.	10,000.00	2	No lower.
88	Sewing machines	South America, Africa, China, Japan, Europe, etc.			Do.
89	.....do	South America, Europe, Asia, Africa, and Australia.	331,528.78	17	Export prices generally about the same as wholesale prices in the United States.
90	Typewriters	All countries			No lower.
91	.....do	European countries	100,000.00	33⅓	Foreign machines net as much as domestic.
92	.....do	All countries	90,000.00	33⅓	About the same.
93	.....do	.....do			Slightly higher.
94	.....do	.....do		50	Do.
95	Watches (low-priced nickel).	Europe, Australasia, East Indies, China, and Japan.	110,000.00	15	Home market cheaper and better goods than foreign.
96	Jewelry and watches	All countries	300,000.00	[illegible]	No lower.
97	Counters, cyclometers, odometers.	.....do	35,000.00	40	Aug. 1, 1901: Regular cyclometers, per dozen, domestic, $5.50; England and Canada, $5. Trip cyclometers, per dozen, domestic, $12; England and Canada, $10. Odometers, per dozen, domestic, $21; England and Canada, $18.90. Counters, per dozen, domestic, $6; England and Canada, $5.55. Other countries same as domestic, but all retail prices higher to the foreign consumer.
98	Clocks	Great Britain, Australasia, and South Africa.	75,000.00	25	No lower.
99	.....do	All countries	75,000.00	10	No lower to buyers of the same rank.
100	Watches and cases	.....do	150,000.00		No lower.

[1] Produce about 20 per cent United States output. [2] Produce entire output United States.
[3] Produce one-eighth output, United States.

MACHINERY AND METAL PRODUCTS—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
101	Watches and cyclometers.	All countries	$10,000.00	10 5	No lower. Commission paid to foreign selling agent in lieu of salary to domestic salesmen.
102	Soda-water apparatus, etc.	....do	111,800.00	5	No lower.
103	Blowers, fans, heaters, etc.	....do	150,000.00	10	Do.
104	Lubricators and milk-testing machines.	England and Sweden.	10,863.18	13	About 2½ per cent lower to cover transportation and insurance costs. Makes price practically equal in both markets.
105	Machinery, etc	Germany, Argentina, Australia, and New Zealand.	125,000.00	50	No lower.
106	Ice-cream freezers[1]	All countries	20,000.00	4	Do.
107	Spinning rings	England and Germany.	100.00	....	No lower. No effort to build up foreign trade.
108	Machinery	Asiatic Russia, Australia, Japan, Mexico, China, Canada, South Africa, New Zealand, Central America, etc.	1,642.00	9	We net a little more on foreign than home business.
109	....do.[2]	Europe, Asia, South America, and Australia.	4,504.00	1	About the same. Prices are subject of special negotiations.
110	....do.[3]	Europe, Japan, and Australia.	57,000.00	20	No lower; usually higher.
111	....do	England, Germany, Mexico, Canada.	5,000.00	5	No lower.
112	Bottle-washing machines.	Europe, Mexico, Central and South America.	4,500.00	7½	Bottle-washing machine, domestic, $500; Germany, $400, to offset transportation charges; Canada, Dec. 28, 1900, $100 allowed on duty; Feb. 14, 1901, $50 allowed on duty.
113	Tobacco machinery.	All countries	20,000.00	20	Same price, but adding for better and more secure boxing and freight to New York port.
114	Cigar and cigarette machinery.	....do	....	....	No lower.
115	Textile machinery.	Mexico, Canada, and Belgium.	9,784.00	3	Do.
116	Knitting machinery[4]	All countries	5,000.00 to 15,000.00	10	Do.
117	Machinery	Canada	10,000.00	....	Do.
118	Wire and electric heating apparatus.	All countries	3,000.00	½ of 1	Do.
119	Copper wire, sheet brass, German silver.	Canada	39,000.00	2	Do.
120	Bells	Europe	15,000.00	15	Do.
121	Bronze monuments	All countries	2,168.97	....	Do.
122	Brass trimmings[5]	England, Germany, and Canada.	6,300.00	3	Do.
123	Phosphor bronze, wire, rods, etc.	Canada, Great Britain, France.	5,000.00	1	Do.
124	Tin foil[6]	Japan, China, Canada.	25,000.00	....	Lower, except where bonded material is used in the making. The saving is then allowed foreign buyers.

[1] Produce about one-half United States output.
[2] Direct.
[3] Produce about 40 per cent United States output.
[4] Produce 20 to 30 per cent United States output.
[5] Produce one-sixth United States output.
[6] Produce 80 per cent United States output.

MACHINERY AND METAL PRODUCTS—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
125	Copper wire, wire ropes, etc.	All countries	$700,000.00	10	Oct., 1900: Special shape copper wire, domestic, 18⅜ to 18⅝; foreign, 18½. Round copper wire, domestic, 18 to 18¼; foreign, 18⅛.
126	Bronze work[1]	England, France, Russia, South Africa, and Australia.	15,000.00	1⅓	No lower.
127	Silver and gold plate.[2]	England and Australia.	2,000.00	1	Do.
128	Skates[3]	England	3,000.00	2	Slightly less at times on account of competition in the United States.
129	Bicycle wrenches	England and Canada.	11,000.00	10	Same prices.
130	Foundry supplies, etc.			2	No lower.
131	Horse brushes[4]	Australia, South Africa.	700.00		Do.
132	Brass and iron bedsteads.	All countries			Do.
133	Lanterns[5]	do	115,000.00	16	Do.
134	Handled hammers	Europe, Australia, New Zealand, South Africa, South America.	30,000.00	80	Do.
135	Scales	Everywhere	6,000.00	5	All goods for export are special.
136	Name plates for machinery.	England, Russia, Germany, France, Canada, Mexico.			No lower.
137	Machinery and nail pullers.	England	5,000.00	5	Do.
138	Mechanics' tools, bits, braces, hand-tool sets, etc.	Europe, Australia, South America, Canada.	28,734.18	25	5 per cent lower on some grades to meet competition principally.
139	Bolts, nuts, washers.	Europe, South America, and Mexico.		5	About same.
140	Cutlery[6]	Export houses for West Indies and South America.	2,000.00	1	No lower.
141	Locks, hardware[7]	All countries	15,000.00	13	Do.
142	Padlocks	Europe, Australia, and South America.	24,000.00	20	Same price.
143	Knife blades and steel handles.	England and Canada.	500.00	⅓ of 1	A little less to Canada to offset duty.
144	Cut nails[6]	South America, South Africa, China, and Japan.		25–33	June 15, 1901: Cut nails: Domestic, , $2.13 per keg; South America, $1.78.
145	Wrenches[8]	All countries	20,000.00	20	No lower.
146	Horse and mule shoes.[9]	Great Britain and colonies.	80,000.00	25	20 per cent higher prices for special shoes costing 10 per cent higher than domestic patterns.
147	Hardware specialties.[10]	All countries	300,000.00	20–30	Lower lines for less, others for more; average, about equal.
148	Hardware and tools.	do			As a general proposition, no, but foreign prices stable, home prices fluctuating; hence, sometimes lower, sometimes higher.

1 Produce about 3 per cent United States output.
2 Produce 25 per cent United States output.
3 Produce one-half to two-thirds United States output.
4 Produce 20 to 25 per cent United States output.
5 Produce 60 per cent United States output.
6 Produce about 10 per cent United States output.
7 Produce about 20 per cent of padlocks, United States output.
8 Produce about 1 per cent United States output.
9 Produce about 7½ per cent United States output.
10 Produce about one-third American output.

MACHINERY AND METAL PRODUCTS—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
149	Wagon and carriage springs.[1]	All countries	$1,371.81	1	Wagon springs.—June, 1901: Domestic, $4\frac{1}{2}$ to 5 cents; foreign, $4\frac{15}{100}$ cents. June, 1900: Domestic, $4\frac{1}{4}$ to $4\frac{1}{2}$ cents; foreign, $4\frac{1}{2}$ cents.
150	Fittings, hardware		30,000.00	7	None less, and for some goods get more, except Russia, where 10 per cent off is allowed since countervailing duty on Russian sugar was ordered.
151	Anvils[2]	South Africa, Australia, New Zealand, Canada, etc.	10,000.00	5	Practically cost; to meet foreign competitors.
152	Saddlery hardware[3]	Mexico, Cuba, Canada, Australia, Hawaii, Philippines, Europe.	10,000.00	4	No lower. Can not fill home orders; hence do not seek foreign market.
153	Hardware, iron castings, and toys.	All countries	15,000.00 to 20,000.00	20	At present 10 to 15 per cent higher. Some years ago for less, when prices here were high.
154	Building hardware[3]	Most all countries		10	Some 5 per cent less; some equal; some more. Average 2 or 3 per cent lower to meet foreign prices.
155	Hardware[4]	South Africa, Australia, South America, England, Asia.	50,000.00	10	No lower. May do so in future.
156	do[5]	Great Britain, Central Europe, India, South Africa, Australia, South America, Mexico.	28,350.00	15	No lower.
157	Stoves	England and Canada.	800.00	.001	Do.
158	Wire, wire cloth, galvanized wire.[6]	Australia, Mexico, Canada, Cuba.	3,000.00	$\frac{1}{2}$ of 1	Not often; but have done so to induce trade.
159	A single hardware specialty.[7]	All countries except Far East.	4,000.00	$33\frac{1}{3}$	Not lower (ordinarily).
160	Stoves	All countries	25,000.00	$1\frac{2}{3}$	5 per cent higher. Have only done a tentative export business.
161	Cooking ranges	South Africa	10,000.00	4	Goods sold in United States are not exported. No comparison possible, but profit on both markets approximately equal.
162	Saws and machine knives.	All countries			No lower.
163	Wire and manila rope.	Mexico, Canada, South America, South Africa.	50,000.00	5	Lower, because of drawback on imported raw material.
164	Cutlery and hardware specialties.	South America, Africa, Europe, Mexico, etc.	10,000.00	50	10 per cent lower in case of cutlery, especially knives and forks, to compete with German and English manufacturers. On other goods prices the same.

[1] Produce about 3 per cent United States output.
[2] Produce aqout 80 per cent United States output.
[3] Produce probably 15 per cent United States output.
[4] Produce from 5 to 20 per cent United States output.
[5] Produce more than 90 per cent United States output.
[6] Produce from 5 to 30 per cent United States output.
[7] Produce about one-tenth United States output.

MACHINERY AND METAL PRODUCTS—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
165	Saws and files[1]	All countries	$300,000.00	10	No lower. In many cases get more.
166	Chains	Australia, Europe, Asia, South America, West Indies, etc.	30,000.00	10	No lower. Sell at slightly higher prices.
167	Copying presses, inkstands, hardware.		8,500.00	5	Same price.
168	Locks and padlocks[2]	All countries	65,368.29	33⅓	Cheap padlocks (six,) domestic 6.66, foreign 5.39; medium padlocks (six), domestic 10.75, foreign 10.75; fine padlocks (six), domestic 14.82, foreign 14.82. Lower on some goods; same prices for greater portion.[3]
169	Lifting jacks	Through commission houses.	5,000.00	5	No lower.
170	Hardware and bicycle specialties.	All countries	125,000.00	33⅓	Slightly higher for export, but occasionally lower on particular patterns.
171	Stoves	do	50,000.00	12½	No lower.
172	Hammers and hatchets.	England and British colonies, but not direct.			Do.
173	Hardware	Nearly all countries	7,373.83	9½	Lower, to increase volume of business and reduce percentage of fixed charges per single tool.
174	Hardware specialties.	Canada, etc	1,000.00	7	About 5 per cent lower and in Canada 10 per cent lower. Barn-door hangers, iron axle, domestic 60 + 10 + 5 off, Canada 70 off; barn-door hangers, roller bearing, domestic 70 + 10 + 5 off, Canada 75 off; barn-door rail, domestic 2¾, Canada 2½.
175	Hand drills, forges, hub-boxing machines, etc.	All countries	28,350.00	15	Discount: Drills, domestic 40 per cent, foreign 35 per cent; forges, domestic 75 + 10, foreign 60 + 10 + 10; hub-box machinery, domestic 33⅓, foreign 33⅓; feed-cutters, domestic 50 – 10, foreign 50. Prices are f. o. b. factory, except in car lots; f. o. b. New York, boxing extra.
176	Electrical instruments.	do	75,000.00	25	5 per cent lower.
177	Electrical apparatus.	Central and South America, Australia, Canada, China, and Japan.	4,000.00	5	No lower.
178	Electrical goods, etc.	All countries; England chiefly.	211,600.00	16½	Do.
179	Electrical apparatus.	Canada, Mexico, South America, Europe, Japan, etc.	62,500.00	6	Do.
180	Electrical switches[4]	Argentina, Canada, England.	7,500.00	5	Same price.
181	Electrical motors and dynamos.[5]	All countries.	150,000.00	15	Lower, because terms are cash.

[1] Produce 80 per cent saws and tools, United States output.
[2] Produce one-fifth United States output.
[3] Produce 20 to 25 per cent output United States.
[4] Produce one-fourth output United States.
[5] Produce about 7 per cent United States output.

MACHINERY AND METAL PRODUCTS—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
182	Valve reseating machines.[1]	All countries	$9,807.78	25	Higher, so as to cover cost of transportation and duty, if there is any.
183	Steam gauges[2]	England, Australia, and Japan.	1,000.00	1.06	No lower, except to establish trade and when prices were higher here. Recommends duty off ingot copper.
184	Valves	All countries			No lower.
185	Gas meters	Japan, Mexico, and Canada.	10,000.00	10	Do.
186	Iron pumps and fittings.	All countries	44,230.00	18¼	Average price is higher.
187	Steam pumps	do			No higher.
188	Boilers (house), radiators.	England, France, Germany, Italy, Norway, Sweden, Denmark, Africa, Russia.	30,000.00		Same price, but extreme lowest. Recommends lower freight rates on fast ocean steamers.
189	Iron pipe fittings[3]	Germany, Belgium, Mexico, and Australia.	25,000.00	4	No lower.
190	Windmills, pumps, and haying tools.	All countries	15,000.00	3¼	Do.
191	Steam appliances	United Kingdom	50,000.00	12	Same price or higher.
192	Gas meters[4]	Japan and South America.	1,200.00	½ of 1	Not lower.
193	Hot-air pumping engines.[2]	All countries	30,000.00	10	June, 1901, domestic discount 20 per cent; foreign discount, 25 to 30 per cent for India, Spain, Australia, Russia, Cuba. On account of freights, duties, etc.
194	Heaters, boilers, and separators.	Great Britain and Japan.	12,000.00	4	No lower.
195	Gas and electric fixtures.	All countries	20,000.00	8	Do.

[1] Produce about one-third United States output.
[2] Produce nine-tenths United States output.
[3] Produce about 20 per cent United States output.
[4] Produce about one-tenth United States output.

AGRICULTURAL IMPLEMENTS AND VEHICLES.

The manufacturers of agricultural implements report with only one exception that prices to foreign purchasers are either higher or no lower than those for domestic purchasers. In general, the policy agrees with that stated by establishment No. 13, namely, "Foreign prices are made sufficiently higher than domestic prices to pay freight to New York and boxing for ocean shipment." Establishment No. 15, which sells plows, harrows, and cultivators to the extent of one-tenth of its product and which quotes foreign prices, as will be seen in the table, at the same or somewhat higher than domestic prices, states that these are f. o. b. vessel New York City, packed for export, and that this extra expense amounts to a deduction of 10 per cent from the export prices. This deduction, it will be seen, brings the net foreign prices below the domestic prices in the case of chilled plows and spring-teeth harrows, but leaves the foreign price higher than the domestic price in the case of disk harrows, corn cultivators, and perhaps spike harrows. The manufacturer writes: "Prices in the States are not uniform, and average lower than in export. We did advance prices to export, but could not at home, owing to competition, and sold goods too low at home this year. Must advance for next year." He also writes: "The foreigner pays ocean insurance and duties, which add from 50 per cent to 100 per cent to these net prices, making higher prices to them. In some cases it prohibits business."

The reasons for securing higher prices abroad are stated as follows:

Salesmen that we send into foreign countries cost at least 50 per cent more than in the States and sell comparatively few goods because it is missionary territory, and American goods cost more than European goods, but American are admitted superior in quality and durability. Duties imposed by some countries, for instance, France, and most countries in Europe, are excessive and almost prohibitive. Australian duties imposed since the federation, run 5, 15, 20, and 25 per cent in respective named colonies. Three have none on plows and parts. We ought to have arrangements effected by which duties would be nominal and business would be combined so that factories could ship goods to New York or ports in carloads at special rail rates, and could assemble them at New York in ship-load quantities, so as to be able to charter ships that will run direct from port of entry to nearest port of delivery and save reloading and extra freight charges by more than one transportation line.

Establishment No. 26, whose exports amount to $100,000 in grain drills and seeding machines, and which produces more than half of the output of this class of machines in the United States, states that "home consumers could reduce the cost by paying cash, but a large proportion buy or want to buy on one or two years' time." They add: "We do not sell to our foreign agents or jobbers for less money than we sell to those of our own country. We make the prices about the same, and to the said price we add the additional cost of boxing, etc., that is necessary when goods are shipped across the ocean. * * * Most manufacturers sell their goods for the foreign trade through large jobbing houses and ask them net prices, and it is probable that some persons compare said prices to the retail prices to the farmer in this country." Respecting action through legislation, they add, "It is our opinion that the United States Government would largely promote foreign trade and employment if the patent laws of foreign countries were as liberal to inventors of the United States as the patent laws of our own country are to the foreign inventor." * * * "Reciprocity in farm machinery with foreign countries would increase the exports in farm machinery and not injure our home trade, simply for the reason that the United States manufacturers excel, making a better machine and at less cost than any other nation, and we do not fear foreign competition if placed upon the same basis."

Establishment No. 30, manufacturing vehicles, in submitting domestic and export price lists, states:

The prices made are our net prices for goods boxed up for export and freight prepaid to New York City. To arrive at these prices we have simply added to the net prices as made on domestic list the actual cost for boxing tight and freight on each vehicle. We see no reason whatever why anyone in this country should attempt to sell goods in foreign countries for a less price than obtained for same here, at least in the carriage trade. We have maintained in London, England, since 1890 a branch house under our own management. For the first two or three years our London manager had a difficult time in introducing in that country our carriages, but since that time our business in London has shown a satisfactory increase for each year, and we would say to you that the goods are billed to London at the same price, as you will notice on our export list, and are sold in that country at a margin of profit over and above this price sufficient to cover ocean transportation, all the necessary expense of business, including manager in London, and to pay the home factory a handsome profit each year.

AGRICULTURAL IMPLEMENTS AND VEHICLES.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
1	Plows, cultivators, etc.	England	$86,740.65	15	No lower.
2	Agricultural implements.[1]	All countries		16⅔	Sometimes lower, when competition compels it, rather than be forced out of the market.

[1] Produce about 25 per cent United States output.

AGRICULTURAL IMPLEMENTS AND VEHICLES—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
3	Plantation machinery.[1]	Mexico, Central and South America, Africa, West Indies, etc.	....	(2)	No lower.
4	Lawn mowers[3]	All countries	(4)	....	Do.
5	Agricultural implements.[5]	Australia, Tasmania, Ireland, Italy, Spain.	$30,000.00	5 to 8	Do.
6	.....do	All countries	63,000.00	5	Do.
7	.....do.[6]	Germany, Russia, Australia, South America.	....	(7)	About 5 per cent more in Germany.
8	Threshing machinery.[8]	Russia, Africa, Mexico.	10,000.00	1	No lower.
9	Plows...............	Siberia	2,835.93	....	June 15, 1900: R 612 plows w. ex. sh. and Ral. coulter, domestic, $8.30; foreign, $11.78. May 16, 1901: R 614 plows w. ex. sh. and Ral. coulter, domestic, $8.24; foreign, $10.88. January 30, 1901: R 16″ plows, L.L.com. sky. w. p. att. and ex.sh., domestic, $22; foreign, $26.65. January 30, 1901: R 14″ plows, L. L. com. gang w. p. att. and ex. sh., domestic, $38.50; foreign, $40.30.
10	.....do	All countries	....	....	No lower.
11	Forks, agricultural and mining.	Europe, Asia, Africa, Australia, South America.	37,289.16	70	June, 1901: Coke fork, 10-tine, domestic, $9.12; Australia, $9.60. June, 1900: Coke fork, 10-tine, domestic, $12; Australia, $10.80. June, 1901: Manure fork, domestic, $5.91; Australia, $3.90. June, 1900: Manure fork, domestic, $6.18; Australia, $4.68.
12	Agricultural tools ...	Through New York and Boston export houses.	2,000.00	1	No lower.
13	Agricultural machinery.[9]	All countries	....	....	(10)

[1] Produce about one-half United States output.
[2] Almost all.
[3] Produce one-sixth United States output.
[4] One-fifth of amount of business.
[5] Produce about one-sixteenth United States output.
[6] Produce 5 per cent United States output.
[7] Very small.
[8] Produce 10 per cent United States output.
[9] Produce from 25 to 30 per cent United States output.
[10] Season of 1901. Terms cash on arrival of goods in New York. No charge for boxing for ocean shipment. Freight paid to New York.

Name of goods.	Net prices.	
	Domestic dealers.	Export.
	Dollars.	*Dollars.*
Potato cutter........	4.00	4.50
Plain potato cutter, with runner or disk coverers........	40.00	45.00
Potato planter, with fertilizing attachment	50.00	55.00
Corn-planter attachment for potato planter	5.00	5.50
Four-row sprayer	30.00	40.00
Potato digger	75.00	80.00
Potato sorter........	18.00	20.00
Fertilizer distributor........	18.00	20.00
Lawn swings........	3.75	7.00
	Per cent.	*Per cent.*
Churns (discount)	60+10	50
Steel-frame churns (discount)	60	40
Post-hole diggers (discount)	50	50

AGRICULTURAL IMPLEMENTS AND VEHICLES—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
14	Grain drills [1]	Australia, Great Britain, Germany, France, South America, China, and Japan.	$21,235.55	6½	Higher prices.
15	Plows, harrows, cultivators, etc.	All countries	50,000.00	10	(2)
16	Agricultural implements.	Europe and Australasia.			No lower.
17	.....do	All countries	45,000.00	17	Do.
18	.....do	.....do	1,500,000.00	33⅓	Do.
19	.....do	.....do	350,000.00	15	No lower; generally better.
20	Seeding machines [3]	.....do	20,000.00	2 to 3	No lower.
21	Garden tools [4]	.....do	1,500.00	10	Lower. Competition with English, French, and German manufacturers.
22	Mowers, harvesters, binders, reapers. [5]	.....do	2,700,000.00	25	Higher. None sold for lower prices abroad than in the United States.
23	Haying and harvesting machinery, disk harrows and disk cultivators.	.....do	1,500,000.00	66⅔	Not lower in any case.
24	Corn shellers, windmills, etc.	All corn-producing countries.	10,000.00	5	(6)
25	Fertilizer-mill machinery.	Canada, Mexico, Cuba, South America, Hawaiian Islands, and Italy.	2,000.00	Small.	Same price.
26	Grain drills	Mainly Australia, New Zealand, South America, and England.	100,000.00	10	Same, with cost of boxing machines added.
27	Rubber tires	Russia, Japan, and Mexico.	5,000.00	¼ of 1	No lower.
28	Buggies and carriages, cheaper grades.	Cuba, Porto Rico, England, South Africa, Canada, Germany, and Australia.		(7)	Do.
29	Children's carriages and carriage gear. [8]	Through exporters in New York.	25,000.00	5–6	Do.

[1] Produce about 20 per cent United States output.
[2] In January, 1901:

Name of goods.	Domestic price.	Foreign price.	Foreign market.
Chilled plow	$5.70	$5.70	France and Australia.
Spring-teeth harrow	10.50	10.80	Do.
Disk harrow	16.40	18.90	Russia.
Corn cultivator	2.90	3.30	Russia and France.
Spike harrow	6.50 to 7.70	7.25	Australia and Russia.

[3] Produce 25 per cent United States output.
[4] Produce 15 per cent United States output.
[5] Produce one-third United States output.
[6] Prices and foreign and domestic discounts:

Name of goods.	Domestic price.	Foreign price.
Large field corn-sheller	28 per cent discount.	25 per cent dis count.
Horsepowers	35 per cent discount.	25 per cent dis count.
Hand shellers:		
No. 15½ Diamond	$5.50	$8.4
No. 102 Favorite	15.00	16.6

[7] Very small.
[8] Produce from 8 to 10 per cent output.

AGRICULTURAL IMPLEMENTS AND VEHICLES—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
30	Carriages	All countries	$25,000.00	5	Higher, to cover cost of boxing tight and freight to New York City, also ocean freight on goods shipped to London.
31	Wagons and buggies.	Australia, South Africa, Bolivia and Peru, and Cuba.	6,500.00	3	No lower.
32	Wagons[1]	South Africa	1,459.50	½ of 1	No lower, but do not sell similar wagon in United States.
33	Baby carriages and toys.	England and Australia.	5,000.00	2 or 3	Not lower to any extent.
34	Carriage wheels[2]	Australia	35,000.00	25	No lower.
35	Pleasure vehicles	All countries	50,000.00	3	Prices are practically the same.
36	Steel axles	Europe, Australia, South America, Canada, and South Africa.	30,000.00	10	Exactly the same. Domestic buyers in our line are fully competent to get the lowest prices.
37	Axles	All countries	2,000.00	⅓ of 1	No higher.
38	Bicycles	Europe, Asia, Africa, South America, and Canada.	25,000.00	5	No lower.

[1] Produce 3 per cent United States output.

[2] Produce one-third output United States.

LEATHER AND LEATHER PRODUCTS.

The only establishments which report lower prices for export trade than for domestic purchasers are those which produce sole leather and cut soles. They give as a reason the rebate of the tariff duty on foreign hides.

Establishment No. 24, in explaining the situation, writes as follows:

We have a branch house in London, England, for which we buy and to which we ship exactly the same tannages, qualities, and selections of hemlock tanned sole leather that we buy for our cut-sole factory in this country. We are at the present time buying "poor damaged sole leather" for use in America at 20 cents, while we can buy exactly the same leather for "export" at 18 or 19 cents. This is because the foreign hides, from which the leather is made, pay a duty of 15 per cent, and when the leather is exported the tanner gets a rebate of 99 per cent of the duty. This figures from 1 to 2 cents per pound, according to the weight of the side, on leather valued at from 16 to 22 cents. It is immaterial to the tanner whether he gets 20 cents from the American buyer or 18 cents from the foreign buyer plus 2 cents rebate from the Government. The result is that the American shoe manufacturer is forced to pay about 10 per cent more than his foreign competitor for the same leather.

Before the 15 per cent duty was put on hides we did a good export business in sorted cut soles. For this purpose we used leather made from domestic hides, and at the present time we are shut out of the foreign market because our product can not compete with English prices for cut soles made from American leather bought at lower prices than we can buy for. We might add that it is absolutely impracticable, under any system of rebates, to use leather made from imported hides and undertake to collect the rebate on exported cut soles or shoes. The American shoe factories can produce in eight months as many shoes as the American people can consume in a year. The Government should, therefore, encourage an export trade in boots and shoes. Instead of doing so the present policy of the Government, by imposing a hide duty and a duty on sole leather (raw material), is simply adding to the American shoe manufacturers' already severe competition with foreign manufacturers and is stifling the growing foreign trade in boots and shoes.

We want to point out, in this connection, that boots and shoes represent about 33⅓ per cent of skilled labor, while sole leather represents but a small labor cost—perhaps 5 per cent—and very little of that skilled labor. The United States Leather Company, a trust, having practically a monopoly of tanning sole leather made from

imported hides, are exporting millions of dollars worth of sole leather representing a 5 per cent labor cost. The greatest good to the greatest number of the American people would be better subserved by encouraging an increased export trade in boots and shoes, which represents 33⅓ per cent skilled labor cost.

The only way in which this can be done is by putting hides and sole leather on the free list, so as to enable our shoe manufacturers to buy their raw material as cheap as their foreign competitors.

A similar statement is made by establishment No. 2, which handles men's and women's shoes. They write:

We aim to sell our goods to our foreign trade at prices equal to those fixed for our domestic trade plus the cost of transportation.

An obstacle in the way of our doing this and making our foreign business profitable is the duty on the raw materials coming into this country. There is a provision for rebate of duty on imported materials sent out of the country in manufactured goods, but practically there is much difficulty in securing the advantage of this rebate.

We would suggest and urge most strenuously the removal of duty on the raw material, as a step that would enable the American manufacturer of boots and shoes to profitably sell his goods abroad on the same basis as to domestic trade.

A leading manufacturer, not reported in the following table, writes:

The duty on hides has added 5 to 10 cents a pair to the actual cost of heavy goods. Heavy shoes contain about 3 pounds of sole leather (boots even more than that), and in the uppers there are about 2 pounds of leather, making the weight of a pair of shoes about 5 pounds. This is where the burden of this tariff has gone—right into heavy goods. Not more than 1½ pounds of sole leather go into light shoes, and the uppers are now largely made of goatskin and various kinds of leather that the duty does not affect much. A pair of shoes that will sell to the jobber for 92½ cents to $1 is retailed for $1.25, and a great many cases are sold in this way. Manufacturers find it exceedingly difficult to make any profit at 92½ cents. Some shoes of that class are now sold for 95 and 97½ cents and jobbed for $1. About $1.25 is what workingmen will pay without controversy for such a pair, but when the price is put up to $1.35 or $1.40 it is always attended with a great deal of controversy. The fact that goods have to be sold for 92½ cents has induced every possible method of cheapening the goods. The jobber feels compelled to have the shoe at that price, and buys the best he can get, regardless of the make-up. The manufacturers in this vicinity have been accustomed to make substantial goods, and some of them have been driven out because they were not willing to manufacture what might be termed extreme shoddy goods in order to get the price down so that they could sell the goods favorably and at a profit. I think the whole shoe and leather trade are of one mind on this subject.

Six of the 24 establishments reporting advocated putting hides and sole leather on the free list.

LEATHER AND LEATHER PRODUCTS.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
1	Men's shoes	Great Britain, Australia, Cuba, and Canada.	$50,000.00	5	No lower.
2	Shoes[1]	Great Britain, West Indies, Australasia.	100,000.00	4	No lower. Same as domestic plus cost of transportation.
3	High-grade boots and shoes.	European countries and Australia.	6,000.00	(2)	No lower.
4	....do	All countries	225,000.00	18	Same price.
5	Shoes	....do	500,000.00	16⅔	Almost invariably higher; about 5 per cent. Shoes, domestic, $2.50 discount, 1 to 30 days; foreign, $2.64 discount, 1 to 60 days.

[1] Produce 1 per cent output United States. [2] Very small.

LEATHER AND LEATHER PRODUCTS—Continued.

No. of establishment.	Article.	Foreign markets.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
6	Medium-grade boots and shoes.	Australia and Great Britain.	$25,000.00	10	Foreign prices at least 10 per cent higher.
7	High-grade shoes	All countries			Higher.
8	Ladies' shoes	Australia	25,000.00	1	Higher. Get 10 cents a pair extra for red tape and extra expense. Do not cater for foreign trade; home market keeps us busy.
9	Texas oaks, bends, and shoulders.	England, Scotland, and Ireland.	15,468.40	1	No lower. Foreign buyers are always able to obtain the very lowest market prices.
10	Cut soles from Union tanned sole leather.[1]	England	19,013.67	2	Lower prices to reduce surplus without lowering our price here.
11	Cut sole leather	Through commission men in London.	[2] 6,904.41	$1\frac{6}{10}$	Lower in 1898. No sales since, on account of hide duty of 15 per cent. Woman's 5-inch fine soles: March, 1898, domestic 10 cents, foreign 9½ cents; June, 1898, domestic 10½ cents, foreign 10 cents.
12	Black glazed kid, goat leather.[3]	Europe and Australia.	300,000.00	2	No lower.
13	Fancy leather goods.	Canada	12,000.00	2	Same price.
14	Leather and skins	Europe, Australasia, Canada, Central and South America.	100,000.00	6	No lower.
15	Kangaroo leather[4]	England and Germany.	2,500.00	½ of 1	Higher.
16	Glazed kid[5]	All countries			At least 10 per cent higher.
17	Shoes	do	60,000.00	5-10	No lower.
18	Patent leather	England	4,000.00	$\frac{1}{10}$ of 1	Do.
19	Belting	Canada, Mexico, West Indies.		2	Do.
20	Leather belting	Great Britain and Mexico.	5,000.00	2½	Prices about the same, but price stands in the way of large sales in many instances.
21	Belting and lacing	All countries	10,000.00	1	No lower.
22	Harness and horse collars.	do	15,000.00	5	No lower. Foreign sales increasing rapidly.
23	Harness, collars, and saddlery.	Cuba	6,000.00	1	No lower.
24	Sole leather and sole-leather cut soles.	All countries			Lower prices (see text).

[1] Produce 10 per cent United States output.
[2] 1898. None since.
[3] Produce 5 per cent United States output.
[4] Produce 33⅓ per cent United States output.
[5] Produce 33 per cent United States output.

WOOD MANUFACTURES, PAPER AND WOOD PULP.

Establishment No. 4, exporting $50,000 worth of product to the amount of fou fifths of its output, states that only on one or two per cent of their business do they se for less money abroad than at home, and that the reasons are the competition of oth American concerns making the same line of goods. They add:

If all manufacturers would figure correct cost price with fair percentages of profi in both domestic as well as foreign sales, there would be no dispute, but the gener impression is that you must sell low to get that trade, and that is entirely wron Foreigners look principally for quality.

Establishment No. 16, exporting $5,000 worth of wood pipe, states:

The proportion of goods we manufacture and export being so small a part of ou business, we have given the matter of equality of price no consideration. Our expo business is increasing rapidly this year, and we find no occasion for selling expo trade at any lower prices than we do the home trade.

Establishment No. 21, which exports $8,000 worth of kegs and barrels, makes com plaint principally of the import duties in Canada and other countries, and asks fo reduction of such duties, if possible.

Establishment No. 34 points out specifically that the price is the same at the po of shipment. They also add:

Exporters of paper in this country are few and confined to specialities in new paper and wrapping. The manufacturers of newspaper here have the advantage ove most, if not all, other countries, except Canada, in fine water power and spruce tim ber. Home competition will take care of the buyer. Home consumers, as a whol buy paper cheaper than the consumers of any country.

WOOD MANUFACTURES, PAPER AND WOOD PULP.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as com pared with domestic
				Per cent.	
1	Cistern pumps[1]	All countries		20	Domestic discount 6 to 60 + 10, foreig discount 70 on on or two items mad largely for export.
2	Pumps	do	$130,000.00	33⅓	No lower.
3	Desks and chairs	do			Do.
4	Office desks	Great Britain, Europe, Central and South America, South Africa, and Australia.	50,000.00	80	Higher usually, lowe on about 2 per cen of sales, on accour of American compe tition.
5	Office and library furniture.	Europe, Africa, South America, and Australia.			At slightly advance prices.
6	Letter files, filing cabinets, labor-saving office devices.[2]	England, Germany, and South America.	60,000.00	7 or 8	No lower.
7	Chairs all kinds[3]	Canada, South America, and Mexico.	20,000.00	10	Three-eighth-inch co chair, domesti $3.50 per hundre Canada, $3.15. Eng lish and Germa competition.
8	Cane and wood seat chairs.	England, Scotland, South America, Cuba, and Hawaii.	40,000.00	15	Regular jobbin prices, same as sol in this country.
9	Chairs	Canada	Limited.		No lower.
10	Medium grade bedroom, dining-room, and office furniture.[4]	England, Africa, and Canada.	10,000.00	3	Never lower; price a ways the same.

[1] Produce 5 to 8 per cent United States output.
[2] Produce from one-fourth to one-third United States output.
[3] Produce 10 per cent United States output.
[4] Produce 10 per cent high grade bedroom furn ture.

WOOD MANUFACTURES, PAPER AND WOOD PULP—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
11	Picture moldings	Hawaii, Cuba, Venezuela, and Mexico.	$6,000.00	6	Same price.
12	Refrigerators	Australia, Africa, India, England, and Belgium.	5,000.00	1⅔	No lower, except 5 per cent lower in Canada to help overcome Canadian duty of 35 per cent.
13	....do	All countries			A little better prices on foreign shipments.
14	Dairy apparatus	Mexico and Canada	40,000.00	35	No lower.
15	Undertakers' supplies.	South Africa, Australia, Costa Rica, and Chile.	5,000.00	1	Do.
16	Wood pipe	Canada, England, Scotland, Nova Scotia, and British Columbia.	5,000.00	7	Do.
17	Oars	All countries except Russia.		50	Same prices.
18	Wood dishes and clothespins.	England and Germany.		Small.	No lower, except Canada, where with duty added makes prices same as here.
19	Wood split pulleys	All countries	54,000.00	4	No lower now. Prior to Sept. 1, 1899, 10 per cent less. Lack of home orders. Recommends lower import duties on raw material.
20	Box shooks	Porto Rico	(1)		Same price.
21	Kegs and barrels in knockdown shape.	Argentina, South America, South Africa, and Australia.	8,000.00	1¼	Sell to export house at same as domestic prices.
22	Axe and hatchet handles, etc.	Australasia and South Africa.	10,900.00	65	No lower.
23	Guitars, mandolins, drums,[2] band instruments.	All countries	30,000.00	10	Do.
24	Piano players, organs.	....do	65,200.00	16½	Lower, sometimes, on account of duty, transportation, and shipping charges. Generally, prices are same for like quantities and conditions.
25	Organs and sewing machines.[3]	....do	25,000.00	10	Style 1, organ, domestic, $24.50; England, $26. July, 1901. Style 4, sewing machine, domestic, $11; Australia, $12.05. June, 1901.
26	Upright pianos	Brazil and other southern countries.	2,000.00	[illegible]	No lower.
27	Cabinet organs	England, Scotland, Holland, Germany, Russia, New Zealand, etc.	22,500.00	[4]28	Same price, but delivered f. o. b. This is general practice in our trade; required by foreign buyers; mostly cash; risk not as great.
28	Cardboard	Mexico, Canada, and Cuba.	14,000.00	[illegible]	Same price.
29	Pulp boards	Great Britain	10,716.00	Small.	Domestic, $30 to $32.50; foreign, $34 f. o. b. Our mill exported in 1900, but not in 1901.
30	Ledger paper and bonds.	Canada and England.	14,500.00	3½	No lower.
31	Corrugated paper packing.[5]	England, Canada, and Mexico.	5,000.00	[illegible]	Do.

[1] Very little.
[2] Produce about 25 per cent United States output.
[3] Produce about one-twentieth sewing machines United States.
[4] About.
[5] Produce about 50 per cent United States output.

WOOD MANUFACTURES, PAPER AND WOOD PULP—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
32	Paper	Australia and South America.	$75,000.00	5	Foreign market takes different weight and size, but prices are equal.
33	Printing paper and chemical fiber.[1]	England, Australia, East Indies, Chile, etc.	50,000.00	1½	Get higher prices for export goods, but net about the same, owing to extra cost.
34	Manila paper	Australia, South America, Great Britain, and Canada.	11,100.00	½ of 1	Price same at port of shipment.
35	Folding paper boxes.	Mexico and England.	(2)	....	No lower.
36	Writing and pencil tablets.[3]	China, Hawaii, and Porto Rico.	500.00	....	Do.
37	Blank books	Through commission houses.	....	Under 1.	Do.
38	Paper	All countries except Canada.	530,000.00	80	Prices will average about same.
39	Paper and wood pulp.	All countries	105,280.00	4	No lower.
40	Book paper and wood fiber.	.....do	33,500.00	1	Do.
41	Indurated fiber ware, pails, buckets, tubs, etc.[4]	England, Germany, France, Australia, and South Africa.	11,000.00	3	Expect to make the same profit on goods whether for export or United States trade.

[1] Produce about 5 per cent United States output.
[2] Very little.
[3] Produce 5 to 8 per cent United States output.
[4] Produce entire United States output.

TEXTILES.

Of the 18 establishments answering the schedules 13 report that foreign prices, or the prices in foreign markets, are not lower than those in domestic markets.

One reports that knit underwear is not lower in China and Japan, but is lower in England and Australia.

Another, manufacturing cotton curtains and table covers, states that foreign prices received in Canada for their product are higher than domestic prices, and two others (Nos. 17 and 18), shipping to China, Africa, South America, India, Arabia, and Manila, state that foreign prices are usually higher, or "sometimes better."

Establishment No. 1, which sells at lower prices in England and Australia, but not in China and Japan, states that the reasons are "competition with foreign goods and carrying charges to foreign ports." They add: "Conditions are unequal abroad and in the United States. Relatively (values) home consumers pay no more than foreigners. By the time goods reach distribution the price has been increased by carrying charges."

Establishment No. 8, which exports small quantities of Smyrna rugs and ingrain art squares to Australia, states that it receives exactly the same prices f. o. b. New York as it asks in this country. "Foreign correspondents repeatedly ask for lower prices, saying that they can increase the sales," but these are not granted.

Establishment No. 15, exporting nearly a million dollars' worth of drills and sheeting, equal to 60 per cent of its total product, selling its product in China, Africa, South America, and India, states that "they usually get better prices for export than home-trade goods," and that their export goods are sold in New York. They add: "We never sell exports at less than home trade, except when there is large accumulation of goods which home trade will not take." In order to equalize prices for home consumers they say, "Reduce tariff so that home consumers can buy in same markets that foreign consumers do."

Establishment No. 16, exporting more than three-fourths of a million dollars' worth of drills and sheeting, equal to 75 per cent of their total product, selling their goods in South America, Arabia, China, Africa, and Manila, states that "prices in those markets are sometimes better than at home."

Another establishment, not designated in the schedule, manufacturing Nottingham curtains, states that these goods are not exported, "it being difficult to even hold the domestic market in competition with goods of foreign manufacture, on account of difference in the labor cost."

Another establishment, manufacturing grass twine, states, "Our business in this direction up to the present time has been in the nature of a development, and has not been extensive. Our goods marketed abroad have been sold at the same prices f. o. b. factory as similar goods sold in the United States." This company intends in the near future to aggressively open up foreign markets for their goods.

TEXTILES.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
1	Knit underwear	China, Japan, England, and Australia.	$50,000.00	15	No lower.
2	Oilcloth and linoleum.	Mexico, Great Britain, France, and Germany.	30,000.00	25	Do.
3	Cotton ticking	Canada	9,750.00	$8\frac{8}{10}$	Do.
4	Cotton curtains and table covers.	....do	1,000.00	$\frac{1}{2}$ of 1	Higher.
5	Wide sheetings, shirtings, sheets, and pillowcases.	South America, Mexico, West Indies, Smyrna, Central and South America.	8,207.00	$\frac{3}{5}$	No lower.
6	Hammocks, mosquito nettings.	All countries	10,000.00	3	Do.
7	Smyrna rugs and ingrain art squares.	Australia	750.00	$\frac{1}{10}$ of 1	No lower (same).
8	Oilcloth and linoleum.	Australia, Cuba, China, Philippines, South Africa, and England.	17,000.00	1	No lower.
9	Hawsers, rope (specialties).	Russia	40,000.00	1	Do.
10	Tailor linings	Canada	1,386.00	$\frac{1}{10}$ of 1	Do.
11	Cotton goods	Cuba, Mexico, and South America.	Very small.	....	Do.
12	Men's linen collars and cuffs.	Canada, Australia, Trinidad, and Germany.	6,000.00	$1\frac{2}{5}$	Do.
13	Cotton draperies and comforts.	Australia, England, and Canada.	500.00	Small.	Do.
14	Drills, jeans, and cotton flannels.	China, India, and South America.	1,120,000.00	25	Usually foreign prices.
15	Drills and sheetings.	China, Africa, South America, and India.	960,000.00	60	Higher.
16	....do	South America, Austria, China, Africa, Manila.	777,388.00	75	No lower; sometimes higher.

FOOD PRODUCTS, BEVERAGES, AND TOBACCO.

Four of the establishments report lower prices in foreign markets.

No. 1 states, "Foreign manufacturers cut the price to actual cost or less to get a footing. In some cases we meet the cut."

Establishment No. 2, which reports foreign prices on one brand of condensed milk at less than domestic prices, and on another brand as equal to domestic prices, states, "We neither advertise nor canvass in foreign countries, this expense being assumed by the purchasers. We cultivate the foreign markets for the purpose of having an occasional opening for possible surplus." They also add that in case of sales to the United States Government for foreign consumption, the foreign and

domestic prices are the same, since on these purchases "we save advertising expenses." The same is true on sales of those brands to private consumers, which are not advertised. They add: "We believe that existing inequalities will always regulate themselves and that no new legislation should be attempted."

Establishment No. 5 states that the canned apples which are sold at $1.85 f. o. b. factory sell at 9 shillings c. i. f., or $2.16 in London and Glasgow, and that, deducting 35 cents for insurance and freight, the net price at the factory is $1.81, or 4 cents less than the foreign price. They add: "As a rule foreign markets will take a cheaper grade of goods than the domestic. In filling foreign orders we are compelled to compete with canned goods packed in Canada. We ship from our Canadian house what orders we can conveniently fill there, and the balance of such foreign orders we ship from our factories here, and as a rule pack them in imported tin plates, on which we get a drawback, equal to about 90 per cent of the duty originally paid. Foreign tin plate now, duty paid, is worth about 50 per cent more than the domestic plate." As a recommendation they write: "We think a slight readjustment of the tariff by an impartial commission appointed by Congress might help in equalizing prices" for home consumers.

Establishment No. 7, which exports products to the amount of half a million yearly, states, "We do not export exactly similar articles to those sold in this country. No comparison is possible, as goods exported are of different cut or cure than those used in this country." They decline to suggest any method to secure equality of price for home consumers on the ground that "the law of supply and demand regulates our prices both at home and abroad."

Establishment No. 14, which in May, 1901, quotes foreign prices on bottled beer at $16\frac{6}{10}$ per cent less than domestic prices, states that the price was the same in 1900, and that the reason for lower prices abroad is the "allowance of tax by the United States Government on beer exported, and competition." In order to secure for home consumers equality of price, this establishment recommends "abolishment of the war tax."

FOOD PRODUCTS, CANNED GOODS, ETC.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
1	Condensed milk[1]	Not stated	Not stated.		Lower in some instances.
2	do	West Indies, South and Central America, Canada, Asia, Australia, and Africa.	$55,000.00	9	Domestic, $4; foreign, $3.50. Domestic, $3.50; foreign, $3.25.
3	Confectionery	Great Britain, Canada, and South America.	2,835.75	$\frac{1}{3}$ of 1	No lower.
4	do	Canada	1,500.00		Lower.
5	Canned apples[2]	Great Britain, Germany, and France.	40,000.00	3	Foreign, $2.16 c. i. f., 35 cents for insurance and freight, equals $1.81; domestic, $1.85 f. o. b. factory.
6	Flour	England, Scotland, Finland, Belgium, Barbados, and Cuba.	79,000.00	16	No lower.
7	Provisions	European countries, Canada, and West Indies.	500,000.00	25	
8	Hominy	European countries, except Germany and France.	No value.	5	Do.
9	Chewing gum	Norway, South Africa, and Australia.	2,600.00	$\frac{1}{10}$ of 1	Do.

[1] Produce 50 per cent or more of the entire product of the country.
[2] Probably export 50 per cent of the canned apples of the United States.

FOOD PRODUCTS, CANNED GOODS, ETC.—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign prices as compared with domestic.
				Per cent.	
10	Catsups and canned vegetables and soups.	Great Britain, South Africa, Australia, Canada, and Mexico.	$20,000.00	2	Do.
11	Wood alcohol[1]	England, Germany, and Australia.	321,480.00	16⅔	Do.
12	Whiskies and gins[2]	Denmark and South America.		Under 1	A slight advance.
13	Mineral water	Canada	2,795.20	.018	No lower.
14	Bottled beer	Cuba, Santo Domingo, and St. Johns.	2,000.00	Under ½ of 1.	Domestic, $7.50; foreign, $6.25.
15	Beer and extract of malt.	China, Argentina, and Cuba.	5,000.00	1	Sell only to export firms.
16	Whiskies	Central and South America.		2	No lower.
17	Manufactured tobacco.	Australasia, Straits Settlements, India, Africa, South America, and Europe.	550,000.00	65	Do.
18	Cigarettes and smoking tobacco.[3]	All countries	2,330,000.00		Do.
19	Leaf and strip tobacco.	England, Scotland, Australia. and colonies.	500,000.00	All.	Do.

[1] Produce about 75 per cent United States output.
[2] Produce about 7½ per cent United States output.
[3] Except those in which the manufacture of tobacco or its products is a government monopoly.

MISCELLANEOUS.

Establishment No. 17, which sells a patent hook and eye to the amount of $30,000 in foreign countries, writes:

Our business was started and confined for some years to the manufacture and sale exclusively of the ——— patent hook and eye. After large investment in constructing special machinery and expending a vast sum of money for advertising we built up a large and successful business on this article at an average price to the trade of $5.25 per great gross.

By constant improvements and inventions on our machinery we found we could produce a much larger quantity than we were able to dispose of in this country alone, and therefore decided to introduce our goods into foreign countries, starting with France and England. After studying the market carefully and by personal visits we concluded that a small amount of money expended for advertising, with a reduction in the selling price, might bring us a fair amount of business for the surplus production. We therefore decided to sell our goods in France and England at an average price of $4.57 per great gross, which would yield a fair profit on account of the difference in expense, mainly in advertising.

In answer to your question No. 11, and considering the business of the ——— patent hook and eye only, we would say that our methods are carried out in foreign countries by agents, in some cases men of good ability, and in other cases men of only fair ability. Therefore the business lacks the advantage of personal, daily attention and push, while in the United States we also have our works and perfect organization. Therefore, were we to move our plant and organization, say to England, and thus give the foreign conntries the same benefits that the home market possesses, we would have no difficulty in getting as good prices as we do in the United States. Accordingly we believe that the necessity for the difference in price is due to management.

In the manufacture of optical goods two companies report that the prices are the same to foreigners as for domestic purchasers. Another company states that its field glasses sell at $58, domestic price, and $40 foreign price; that its microscopes sell at $90 to individuals and $67.50 to educational institutions in the United States, and that the prices to all purchasers in foreign countries is the lower price, $67.50. Their reasons for making lower prices to foreign purchasers are stated, "to equalize foreign

price for competing article," and that to secure equality of prices for home consumers would require "reduction of wages to trained mechanics to reduce the cost of manufacture."

On spectacles and eyeglasses, establishment No. 21, which sells at the same price to all purchasers, states that "quality, style, and interchangeability, and not prices, are what sell our goods in Europe." Establishment No. 10, which sells cyclometers and odometers at discounts of 7½ and 10 per cent to foreign purchasers, state that these apply only to England and Canada, and that in all other foreign countries their prices are the same as the domestic prices, with the 5 per cent to commission houses. "Our European business is handled by one company, which shoulders all cost of selling, and hence we can afford a better price. The heavy duty into Canada forces us to a lower price. As a matter of fact, our goods are sold cheaper to the home consumer than to the foreign consumer. The comparative prices furnished to you herewith represent our prices to home wholesalers and exporters. The cost incidental to export and market, together with the profit, should be added to these foreign prices. In several foreign countries the list on our goods is made 33⅓ per cent higher than our domestic list.

One establishment, manufacturing mirror reflectors, which answers question No. 8 to the effect that prices are "about the same," answers question No. 10 to the effect that goods are sold lower abroad "to meet prices by our competitors in this country." (No. 31.)

Establishment No. 32, manufacturing lamp chimneys, etc., answers, "We have made it a part of our policy to sell domestic trade at as low if not lower prices than to the foreign trade. We do not even pay commission to the exporter in New York."

Establishment No. 38, manufacturing about one-third of the American product of sanitary wares, states, "Our export price has not changed in 5 years, during which time the export price in all grades has been greater than home price more than half the time. At present more than half the export sales are sold at home-market prices." They also state that goods are sold at lower prices abroad "to meet competition and to market a limited amount of surplus stock." In answer to question No. 11, inquiring for suggestions in order to secure equality of price for home consumers, they write, "To do so would mean failure sooner or later to all manufacturers who export; better stop exporting."

The following comment is also added by this establishment:

Our prices have not varied for export in 5 years, during which time, owing to the demand, goods have advanced or decreased in price in this country, and more than half the time we have been receiving more for the goods that we are shipping export than those that we are selling in the United States. It must be apparent that you have to take into consideration the competition made in foreign countries, and unless you do this, there is no object in cultivating the trade, because it would be impossible to sell the goods. That is the reason, mainly, why they are sold cheaper in the foreign country than they are in the home market, due to the fact that you have to consider the competition, and the prices are regulated by that. This is simply what has been done by foreign manufacturers in their relation with the United States, and materials such as cobalt and others, where the prices are regulated in England and on the Continent, are sold cheaper in the United States to-day than they are on the Continent. There are many cases that might be cited similar to this, and we do not see why manufacturers can expect to sell at the same price in foreign markets that they do in their home market, unless they are prepared in a great many cases to sell at practically cost. One could afford to sell 10 per cent of his product at a relatively lower price if it kept his works going full time, and pay his men full wages, and at the same time might give himself some benefit, owing to the fact that his works were kept up to the full limit in working capacity. But, as said above, we cut so small a figure in the export business at the present time that we can only give you our views as those who are exporting to a very limited extent.

Establishment No. 48, which makes a lower price on foreign sales of Glauber's salts and sulphate of ammonia, gives as a reason "to help us manufacture on a larger

scale and thus reduce fixed charges;" and in answer to question No. 11 they write, "As goods are often sold in foreign markets at (or very nearly at) cost, we think it would be disastrous to the manufacturer of such goods if he was obliged to sell at such low prices in the United States."

Establishment No. 49, which makes slightly lower prices in foreign markets on colors, states, "We are able to name the slightly lower prices indicated in the foregoing schedule for foreign use because the expense of selling and advertising is borne by the purchaser, whereas we are compelled to add to the domestic price a sufficient increase to cover the cost of selling and advertising."

Establishment No. 47 writes, "All prices are made by adding freight and other charges to the nearest prices f. o. b. factory. At certain seasons freights to Liverpool are lower than to New York. Therefore, when this condition exists, prices in Liverpool are lower than in New York."

Establishment No. 42 states, "If we could secure equal prices on alcohol, as secured by foreign manufacturers, export trade would be amazingly increased."

Establishment No. 13, which makes lower prices in foreign markets on wholesale products and which sells solely a proprietary medicine, states, "Price is prorated according to duty and expenses charged to buyer, making foreign-market selling price equivalent to United States price."

MISCELLANEOUS (INCLUDING TOILET ARTICLES, RUBBER GOODS, OPTICAL GOODS, GLASS, CLAY AND STONE PRODUCTS, CHEMICALS, AND DRUGS).

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
1	Printing ink and dry colors.[1]	All countries	$40,000.00	7	Not lower, except in some South American cases; recommends United States merchant marine.
2	Garnet, flint, emery papers and cloths.[2]	Europe, Australia, South America, and Africa.	75,270.00	18	Lower, to run full time; foreign buyer pays nearly as much because of freights, commissions, etc. Ruby paper, domestic, $4; England, $3.12. Emery cloth, domestic, $7.10; England, $6.65. Garnet paper, domestic, $3.90; Austria, $3.42.
3	Sticky fly paper[3]	All countries	....	....	Domestic price, $2.75, which covers selling commissions and freight; foreign price, $2.50 to $2.90, net; no selling commissions allowed; freight paid only to seaboard; average freight much lower than on domestic business.
4	Golf goods, etc	England, Germany, and Australia.	10,838.00	4	No lower.
5	Artificial legs, etc.[4]..	All countries	10,000.00	10	Same.
6	Cuff and collar buttons, shirt studs.	South America, Cuba, Mexico, Philippines, Australia, and Japan.	14,000.00	10	No lower.
7	Brush and comb sets.	All countries	5,000.00	1½	Lower for some articles. Tooth brushes, domestic, $25.65; Switzerland, $22.80.

[1] Produce 20 per cent United States output.
[2] Produce from 25 to 30 per cent United States output.
[3] Produce about 90 per cent United States output.
[4] Produce about one-half United States output.

MISCELLANEOUS (INCLUDING TOILET ARTICLES, ETC.)—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
8	Brushes[1]	All countries			Same price.
9	Artificial teeth	Europe, South America, and Asia.	$25,000.00	50	Do.
10	Celluloid and metal goods.	All countries			No lower.
11	Soaps for woolen and cotton mills.[2]	Formerly in England and Germany.		3 or 4	Always lower, hence compelled to abandon foreign markets.
12	Brooms and brushes.	South Africa, Australia, France, Ireland, and Scotland.	17,048.33	9	Same price for same quality, plus extra cost of package. Most brooms for export are cheap quality, not sold to home trade.
13	Soaps[3]	West Indies, South Africa, China and Canada.			No lower, except sometimes freight to New York, whereas domestic sales are f. o. b. factory.
14	Pins and safety pins[4]	England, colonies, and Germany.	24,000.00	5½	Safety pins, per gross, domestic, 23½; Germany, 17½; "to increase product at little or no profit."
15	Table utensils	Brazil, Argentina, and England.	10,000.00	4	No lower.
16	Watch chains, bracelets, and rings.	All countries	10,000.00 20,000.00	3–5	Do.
17	Patent hooks and eyes.	France, England, and colonies.	30,000.00	10	Hooks and eyes, per great gross, domestic, $5.23; Europe, $4.57; to sell surplus (see text).
18	Hose and rubber goods.		25,000.00	(5)	No lower.
19	Rubber belting, hose, packing, etc.	All countries	100,000.00	10 per ct.	Do.
20	Rubber boots and shoes.	do	643,633.23	$3\frac{1}{10}$	Do.
21	Optical goods, etc.[6]	do	85,000.00	6	Same price and discounts in all cases.
22	Cameras	do	150,000.00	12½	No lower.
23	Optical apparatus	do	122,624.16	9½	Eyeglasses and lenses, fieldglasses, foreign, lower. Microscopes, individual, domestic $90, foreign $67.50. Microscopes, American, educational institutions, domestic $67.50. Photo lenses and shutters, foreign, irregular and higher.
24	Thermometers[7]	England	25,000.00	10	Higher, about 8 per cent.
25	Scientific instruments.	Japan, China, Australia, India, British West Indies, etc.	25,000.00	6	No lower.
26	Microscopes	London			Same prices.
27	Spectacles, lenses, etc.	Canada, Mexico, South America, Europe, Japan, etc.	85,000.00	6	
28	Powdered soapstone.	England		1	No lower.
29	Glass products[8]	Through commission houses.			
30	Flat and hollow ware.	France mostly	20,000.00	(5)	Do.

[1] Produce about one-fourth United States output.
[2] Produce about 10 per cent United States output.
[3] Produce 4 to 5 per cent United States output.
[4] Produce 8 per cent United States output.
[5] Very small.
[6] Produce one-half to two-thirds United States output.
[7] Produce 75 per cent United States output.
[8] Produce 30 per cent electric ware; 2 per cent staples, United States output.

MISCELLANEOUS (INCLUDING TOILET ARTICLES, ETC.)—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion of total product.	Foreign price as compared with domestic.
				Per cent.	
31	Mirror reflectors	Canada and England.	$1,500.00	3	"About same to meet prices made by our competitors in this country."
32	Lamp chimneys, glass reflectors, and lantern globes.[1]	All countries except continent of Europe.	100,000.00	20	No lower.
33	Emery wheels	England and Australia.	10,000.00	25	Do.
34	Sharpening stones[1]	All countries, Europe especially.	140,000.00	40	Do.
35	Bottles	All countries	157,224.00	8	Do.
37	Asbestus cement, magnesia, flexible cement roofing.[2]	Australia, Norway, England, Cuba, and Canada.	20,000.00	3¼	Equal.
38	Sanitary wares[3]	Germany, England, France, and Canada.	50,000.00	5–6	Export price not changed in 5 years, during which time export price in all grades has been greater than home price more than half the time. At present more than half the export sales are sold at home market prices. (See text.)
39	Carborundum	England, Germany, Norway, Sweden, and Australia.	40,000.00	10	No lower. Foreign shipments are sold at same prices and at same discounts as our domestic sales.
40	Roots, barks, oils, etc.[4]	England, Germany, France, and Spain.	30,000.00	....	No lower.
41	Explosives[5]	Mexico and Canada	28,905.05	6	Do.
42	Vaccine and antitoxine.[6]	All countries	85,000.00	3	Do.
43	Paint, etc	South America, Europe, Africa, etc.	80,000.00	15–50	Do.
44	Candles, stearin and red oil.	Spanish-American countries and Europe.	60,000.00	10	Do.
45	Powder	West Indies, Central and South America.	10,000.00	1	Do.
46	Acids and chemicals	Mexico and Canada	3,500.00	....	Do.
47	Scouring soap and cotton-seed oil.	Great Britain, France, Austria, Germany, Italy, etc.	....	80	Lower prices only when freights to Liverpool happen to be lower than to New York. (See text.)
48	Glauber's salts and sulphate of ammonia.[7]	Canada	5,000.00	4	Glauber's salts, domestic 60 cents to 75 cents per 100 pounds; foreign, 60 cents to 65 cents; sulphate of ammonia, domestic $1.10 to $1.30; foreign, 95 cents to $1.12½.
49	Colors	Canada, England, Germany, France, Australia, and Mexico.	14,143.00	17¾	Hemolin, domestic, 15¾ cents; Australia, 15; Austria, $14\frac{15}{100}$; England, $14\frac{30}{100}$.
50	Homeopathic medicines.[1]	Europe, South America, and India.	50,000.00	25	No lower.
51	Varnishes and japans.	Scotland, Africa, Australia, and South America.	Very small.	....	Do.

[1] Produce 25 per cent United States output.
[2] Produce about 20 per cent United States output.
[3] Produce about 33⅓ per cent United States output.
[4] Produce 65 per cent United States output.
[5] Produce 5 per cent United States output.
[6] Produce 10 per cent pharmaceutical supplies; 50 per cent vaccine and antitoxine, United States output.
[7] Produce 8 per cent United States output.

MISCELLANEOUS (INCLUDING TOILET ARTICLES, ETC.)—Continued.

No. of establishment.	Article.	Foreign market.	Value of exports.	Proportion to total product.	Foreign price as compared with domestic.
				Per cent.	
52	Proprietary medicines.	England, Germany, India, South America, Philippines, etc.	$2,522.40	$\frac{2}{5}$ of 1 %	Mandrake pills, domestic, $19.20 per gross; foreign, $18. (See text.)
53	Water paint and casein.	Europe, Asia, and Africa.	....	....	No lower.
54	Perfumery and toilet articles.	Philippines, Porto Rico, and Cuba.	Very small.	....	Do.
55	Asbestus goods, roofing, and paints.[1]	Through commission houses.	....	....	Give commission merchants 5 per cent better prices than local dealers.
56	Disinfectants, insecticides.[2]	China, Australia, Central America, Canada, West Indies, and Cuba.	3,000.00	10	No lower.
57	Licorice	England and a few of her colonies.	500.00	$\frac{1}{4}$ of 1 %	Do.

[1] Produce 60 per cent United States output asbestos goods.
[2] Produce 80 per cent United States output.

COSTS AND PRICES OF IRON AND STEEL PRODUCTS.

The following tables and diagrams, prepared in the office and under the direction of the Industrial Commission, show the monthly cost of producing pig iron, steel billets, and steel rails, including raw materials and cost of labor and incidentals, together with the selling prices of these products, and the margin between the cost and the selling price. They cover the years 1890 to 1901.

The complexity of the iron and steel industry makes an accurate presentation o the elements of cost in a given product very difficult. The commission has, however, obtained information from three or four of the leading establishments in the country manufacturing the products named, which shows the amount of the raw materials entering into a ton of pig iron, billets, and rails, respectively. Some of the figures submitted for the proportions of the constituents in these products are in the nature of general estimates rather than of minute statistical records; but one or two establishments have submitted data drawn up from long and careful records, and the average of all the establishments represents approximately the average amount of raw material actually required. On the basis of the ascertained monthly or yearly prices of these raw materials the aggregate cost of the quantity required to produce a ton of the respective products has been computed.

The establishments which furnished these statements as to the amount of raw materials required have also given estimates as to the cost of labor and of incidentals in the manufacture of the various products. It should be remarked that the cost of labor and of incidentals in the manufacture of each of the products has been treated as a fixed quantity for each year since 1890. The actual figures given for these costs cover only the most recent period. Beyond question there have been steady improvements in the methods of manufacture tending to reduce the cost of labor and incidentals per unit of product. On the other hand, the advance of wages, from 1899 to 1901, especially as compared with the years immediately preceding, no regard to which has been given in making up the figures, may in part have offset the reduction through such improvements. In any case the comparison as to costs will not be greatly vitiated by inaccuracies in the items of labor and incidentals, since these represent a comparatively small proportion of the cost of transforming the respective raw materials into the finished products. It should of course be remembered that a large part of the cost of the original raw materials of iron and steel—ore, coke, etc.—is that for labor; but since the raw materials have an ascertainable price, the margin of cost and profit in turning them into pig iron or steel may be computed separately.

While it can scarcely be hoped that the estimates of cost presented from month to month represent a strictly accurate average for all establishments, the information has been gathered with sufficient care to give, it is believed, a fair representation of the general movement. It may specially be noted that, even if a given factor be wrongly computed, it will, if treated as a fixed quantity throughout the entire term of years, not prevent a fairly correct view of the movement of costs from time to time.

PIG IRON.

The three raw materials in the manufacture of pig iron are iron ore, coke (which is used in such large quantities that it may be considered as raw material rather than fuel), and limestone. According to the reports of several establishments to the Industrial Commission, the average quantity of Lake Superior ore required to produce a long ton (2,240 pounds) of pig iron is 3,817 pounds; of coke, 2,035 pounds are needed, and of limestone, 1,048 pounds. The price of limestone has varied little during the past ten years, and may be taken as approximately 40 cents per ton, plus freight to the mills, which varies according to the distance, but is a comparatively small amount in the aggregate. The average labor cost of making a ton of pig iron from the ore, as reported by the several establishments, is 99 cents, and the average outlay for extras and incidentals is 50 cents. In preparing the tables the three factors of limestone, labor, and incidentals have been treated as a fixed amount, aggregating a cost of $1.68 per ton of product.

The figures given in the table immediately below for the prices of iron ore as a basis of cost in the manufacture of pig iron are those of Lake Angeline ore at the lower Lake Erie ports. These figures have been furnished by one of the leading establishments manufacturing iron and steel. A comparison with the figures for various other kinds and grades of ore, which are presented in the annual reports of the American Iron and Steel Association, shows that the movement of the prices of all the leading classes of ore is very nearly the same from year to year as the movement of prices for Lake Angeline ore. The latter is a hematite ore from what is known as the Old Range. It is one of the best Bessemer ores, and sells on an average at about 10 cents per ton more than Norrie ore, which is regarded as a base or standard ore. The prices of iron ore are fixed by yearly periods and do not fluctuate from month to month in the same manner as the prices of finished iron and steel products.

Prices of Lake Angeline ore, 1890–1901.

Year.	Price per ton (gross).	Year.	Price per ton (gross).	Year.	Price per ton (gross).
1890	$6.00	1894	$2.50	1898	$2.84
1891	4.50	1895	2.90	1899	3.04
1892	4.85	1896	4.05	1900	5.60
1893	3.90	1897	2.70	1901	4.35

To the prices of iron ore in the computation of costs of producing pig iron has been added $1 per ton as representing approximately the railroad freight rate from the lake ports, the basis of the prices, to Pittsburg. This freight rate has varied within comparatively narrow limits above and below $1 during the past ten years, but owing to the impossibility of ascertaining these variations it has been treated as a fixed quantity. The variations would not be sufficient to affect the cost statistics materially.

The prices of coke, which have been taken as the basis for estimating the cost both of pig iron and of other products into which coke enters, are those f. o. b. Connellsville. These prices have been taken for the years up to 1899, inclusive, from a recent report of the Department of Labor on the prices of products of industrial combinations. (Bulletins of the Department of Labor, No. 29, p. 813 ff.) For the years 1900 and 1901 the average monthly prices have been computed from the weekly reports in the Iron Age. The freight is not considered, but the cost of transporting coke from Connellsville to Pittsburg is not great and has not varied materially from year to year, so that the omission of this item of expense would not affect the tables of cost to any extent.

The following table shows the prices of coke:

Average monthly prices of coke at Connellsville, 1890–1901.

Year and month.	Price.	Year and month.	Price.	Year and month.	Price.
1890.		1894.		1898.	
January	$1.75	January	$0.97½	January	$1.75
February	1.75	February	.95	February	1.75
March	2.15	March	1.00	March	1.75
April	2.15	April	.92	April	1.75
May	2.15	May	.92	May	1.75
June	2.15	June	1.00	June	1.75
July	2.15	July	1.00	July	1.75
August	2.15	August	2.00	August	1.75
September	2.15	September	1.40	September	1.75
October	2.15	October	1.00	October	1.50
November	2.15	November	1.01	November	1.50
December	2.15	December	1.00	December	1.60
1891.		1895.		1899.	
January	1.90	January	1.00	January	1.60
February	1.90	February	1.00	February	1.60
March	1.90	March	1.00	March	1.75
April	1.90	April	1.35	April	1.75
May	1.90	May	1.35	May	2.05
June	1.90	June	1.35	June	2.20
July	1.90	July	1.35	July	2.12½
August	1.90	August	1.35	August	2.50
September	1.85	September	1.35	September	2.62½
October	1.85	October	1.60	October	2.75
November	1.80	November	1.60	November	2.87½
December	1.80	December	1.60	December	2.87½
1892.		1896.		1900.	
January	1.90	January	1.87½	January	3.20
February	1.90	February	1.87½	February	3.31
March	1.90	March	1.87½	March	3.84
April	1.90	April	1.87½	April	3.66
May	1.80	May	1.87½	May	3.12½
June	1.80	June	1.87½	June	2.81
July	1.75	July	1.87½	July	2.47
August	1.75	August	1.87½	August	2.00
September	1.75	September	1.87½	September	2.00
October	1.75	October	1.87½	October	2.00
November	1.75	November	1.87½	November	2.00
December	1.75	December	1.87½	December	1.91
1893.		1897.		1901.	
January	1.90	January	1.87½	January	1.75
February	1.90	February	1.87½	February	1.77
March	1.90	March	1.62½	March	1.93
April	1.70	April	1.55	April	2.00
May	1.60	May	1.40	May	2.00
June	1.50	June	1.50	June	1.93
July	1.45	July	1.50	July	1.87
August	1.25	August	1.50	August	1.87
September	1.20	September	1.45	September	1.87
October	1.20	October	1.62½		
November	1.10	November	1.75		
December	1.05	December	1.75		

The price of pig iron, with which the cost is compared, is that of Bessemer pig iron at Pittsburg, the figures up to 1899 being taken from the report of the Department of Labor, above cited, those for 1900 from the annual statistical report of the American Iron and Steel Association (from which, indeed, the figures of the Department of Labor are also taken), and those for 1901 from the weekly reports in the Iron Age.

On account of the fact that the chief element in the cost of pig iron, the price of ore, is fixed by yearly periods, the diagram has been prepared to show the average cost of pig iron by annual periods, without endeavoring to present monthly fluctuations, which would be misleading in the case of the transition from one year to another. The vertical movements of the line of costs at the end of each year are not to be taken as indicating actual corresponding sudden changes in the cost of

manufacture. The ore purchased during one season of lake navigation at the price of that season is held over in large quantities into the winter and even the spring of the succeeding year.

The monthly fluctuations of prices, on the other hand, are presented in the diagram, particularly because of the interest attaching to some of the rapid movements within yearly periods. While it is scarcely correct to compare such a variable selling price with a uniform annual cost of manufacture, the variation in the cost of manufacture within a single year is undoubtedly comparatively slight in most cases.

It should be observed in studying the margin between the cost of production (an annual figure) and the price (a monthly figure) that sharp variations in the margin necessarily appear at the end of each year, which are in a sense misleading. The rate of interest and profit does not, of course, increase or decrease immediately at the beginning of the year in accordance with the new annual price of iron ore. Nevertheless the indication regarding the margin, as shown in the diagram, gives the correct movement of the general level from year to year, and also a fairly correct view of the variations from month to month within each year, except for the change from December to January.

The detailed figures showing the average annual cost of production of pig iron, the monthly selling price, and the margin between cost and selling price from month to month, are given in full in the general tables below. The diagram illustrating the movements is herewith presented. (Diagram A.)

STEEL BILLETS.

The chief ingredient of steel billets is pig iron, and the process of changing pig iron into billets is not a very expensive one. It requires, according to the reports of leading establishments, on the average, 2,607 pounds of pig iron to make a long ton of billets. To this is added an average amount of 114 pounds of scrap steel[1] and 19 pounds of ferromanganese. Of coke, on the average, 180 pounds are used, and of coal 580 pounds, per ton of product. The total cost of the raw materials has been ascertained from month to month on the basis of these quantities and of the monthly prices. The price of pig iron taken as a basis is that of Bessemer pig at Pittsburg. The price of coke is that at Connellsville, while the prices of coal and of scrap have had to be taken as at Chicago, since Pittsburg prices are not available. It may be noted that the price of coal is materially lower at Pittsburg than that of high grade coal, such as is taken as the basis of the table, at Chicago. The difference would be sufficient to reduce the cost of production of billets at Pittsburg, were the correct figures for coal available, from 20 to 40 cents per ton.

The following table shows the monthly prices from 1890 to 1900 of coal at Chicago, as given in the annual reports of the Chicago Board of Trade. The prices for the year 1901 not being obtainable, have been estimated in figuring the cost of billets as equal to those for the year 1900, leaving some margin of error, but not enough to affect the general figures materially. The same table shows also the monthly prices of scrap steel at Chicago, which are taken from the weekly reports of the Iron Age (those up to 1899 inclusive having already been published by the Department of Labor in the report cited).

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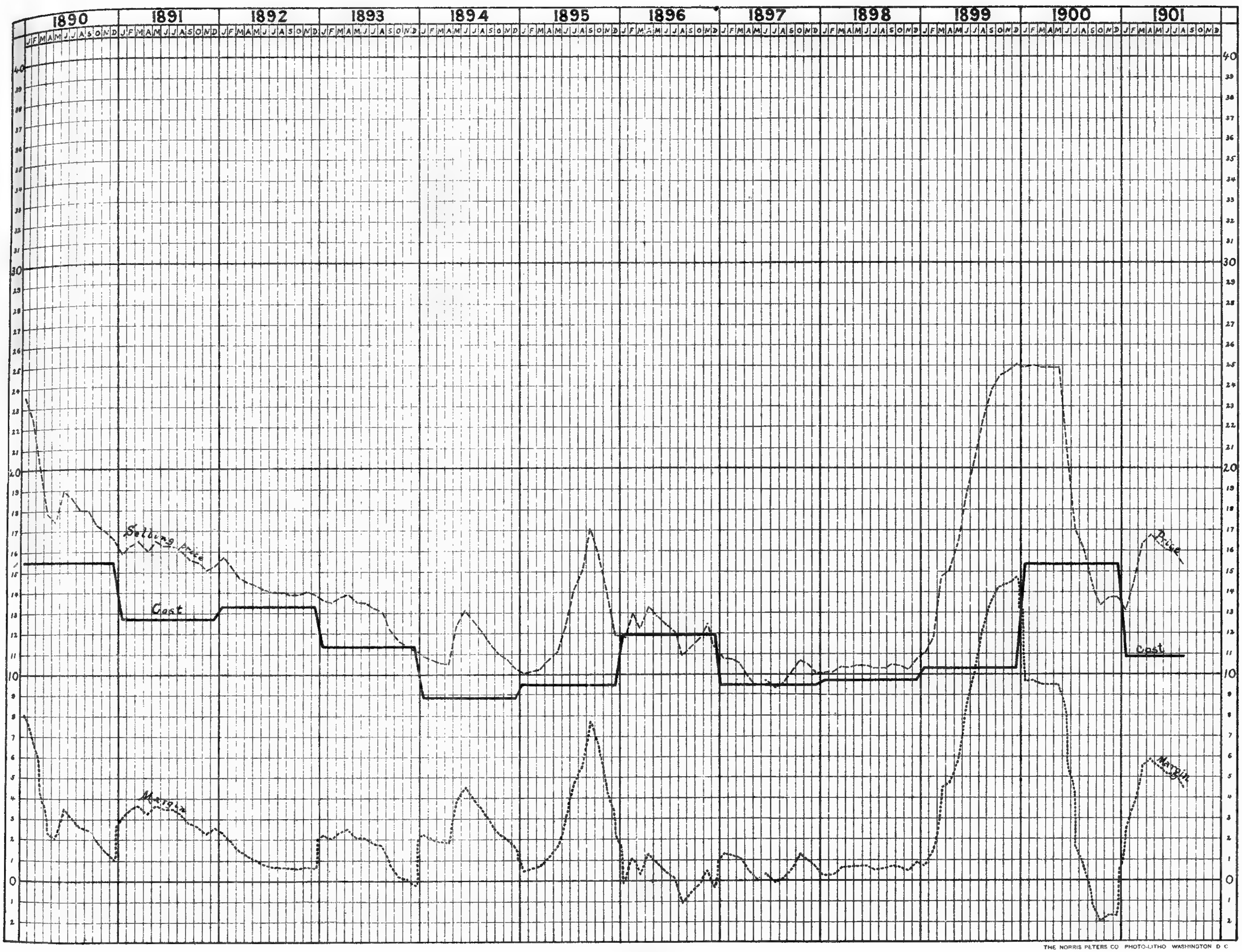
[1] Only one of the establishments furnishing data as to the amount of material required in the production of billets speaks of the use of scrap steel. In the other establishments a larger amount of pig iron is reported as being necessary. The use of the figures as indicated in the text gives, doubtless, the correct average of the materials used for all the establishments.



1890
1891
1892
1893
1894
1895
1896
1897
1898
1899
1900
1901
Selling price
Cost
Margin
Price
Cost
Margin
THE NORRIS PETERS CO. PHOTO-LITHO WASHINGTON D.C.

A- PIG IRON

Average monthly prices of scrap steel and of coal at Chicago, 1890–1901.

Year and month.	Scrap, No. 1, mill, at Chicago, per 2,000 lbs.	Coal, Youghiogheny, at Chicago, per 2,000 lbs.
1890.		
January	$16.50	$3.23
February	16.50	3.23
March	15.50	3.23
April	14.50	3.23
May	14.00	3.08
June	15.50	3.28
July	16.00	3.28
August	16.50	3.28
September	16.50	3.35
October	16.00	3.35
November	15.50	3.35
December	14.50	3.40
1891.		
January	14.00	3.30
February	13.75	3.30
March	13.75	3.30
April	13.50	3.30
May	13.50	3.30
June	13.75	3.25
July	14.25	3.25
August	14.50	3.25
September	14.25	3.40
October	13.75	3.40
November	13.25	3.75
December	12.50	3.75
1892.		
January	12.50	3.40
February	12.50	3.40
March	11.50	3.35
April	11.00	3.35
May	10.50	3.25
June	10.00	3.25
July	11.00	3.25
August	11.00	3.25
September	11.00	3.35
October	11.00	3.35
November	11.00	3.45
December	11.00	3.50
1893.		
January	10.75	3.50
February	10.75	3.50
March	10.75	3.50
April	10.50	3.41
May	10.00	3.35
June	9.00	3.35
July	9.00	3.25
August	8.50	3.25
September	8.00	3.25
October	8.00	3.25
November	8.00	3.25
December	8.00	3.25
1894.		
January	8.25	3.25
February	6.75	3.25
March	6.75	3.20
April	6.50	3.15
May	6.50	3.10
June	6.50	3.10
July	6.50	3.10
August	6.50	3.10
September	7.00	3.10
October	7.00	3.10
November	7.00	3.10
December	7.00	3.10
1895.		
January	6.50	2.90
February	6.50	2.90
March	6.50	2.90
April	6.50	2.90
May	7.00	2.90
June	7.50	2.90
July	8.00	2.90
August	9.00	2.90
September	10.00	3.00
October	9.00	3.00
November	8.00	3.00
December	7.50	3.00
1896.		
January	$6.50	$2.90
February	7.00	2.90
March	7.50	2.90
April	7.75	2.90
May	7.50	2.90
June	7.00	2.80
July	6.75	2.78
August	6.50	2.90
September	6.00	2.90
October	6.50	2.75
November	7.50	2.75
December	7.50	2.75
1897.		
January	7.00	2.70
February	7.00	2.70
March	7.00	2.70
April	6.75	2.70
May	6.00	2.70
June	5.50	2.70
July	5.75	....
August	5.75	....
September	6.50	....
October	7.00	2.70
November	6.50	2.70
December	6.50	2.70
1898.		
January	6.50	2.75
February	6.75	2.75
March	7.00	2.75
April	7.00	2.75
May	6.50	2.75
June	6.50	2.75
July	6.50	2.75
August	6.50	2.75
September	$6.62\frac{1}{2}$	2.75
October	6.75	2.75
November	6.25	2.75
December	6.75	2.75
1899.		
January	7.00	2.45
February	7.75	2.45
March	8.75	2.45
April	9.00	2.45
May	9.00	2.45
June	8.75	2.45
July	8.50	2.45
August	9.00	2.50
September	13.00	2.50
October	14.50	2.75
November	13.50	3.00
December	13.00	3.00
1900.		
January	17.70	3.00
February	$17.12\frac{1}{2}$	3.00
March	17.00	3.00
April	16.75	3.25
May	14.60	3.25
June	$12.12\frac{1}{2}$	3.25
July	9.50	3.25
August	9.00	3.25
September	9.25	3.25
October	9.90	3.25
November	10.00	3.25
December	11.00	3.25
1901.		
January	11.80	....
February	11.87	....
March	12.75	....
April	14.00	....
May	13.50	....
June	13.00	....
July	12.50	....
August	12.00	....

The following table gives the average prices of ferromanganese from 1890 to 1901. This table up to 1900 has been furnished by one of the iron and steel producing establishments, and is beyond question correct. There have, of course, been some monthly fluctuations in the price of this product which would affect slightly the monthly cost of production, but the quantity used is so small that the variation in cost on account of these changes would not be significant. The average price of ferromanganese for 1901 has been computed from the Iron Age.

Prices of ferromanganese.

Year.	Average price at works.	Year.	Average price at works.	Year.	Average price at works.
1890	$65.00	1894	$35.12	1898	$43.9[illegible]
1891	62.45	1895	46.96	1899	54.8[illegible]
1892	43.35	1896	43.43	1900	79.1[illegible]
1893	42.64	1897	41.46	1901	58.5[illegible]

The average labor cost of turning pig iron into a ton of steel billets, as reported by the establishments above referred to, is $1.62, and the average incidental expense 75 cents. These have been treated as fixed factors and added in determining the cost of steel billets from month to month. The selling price of billets is that in the Pittsburg market, as reported in the Iron Age and by the American Iron and Steel Association.

The cost and selling prices of billets from month to month, with the margin between them, are given in the detailed tables below, and are set forth clearly in the accompanying diagram (B).

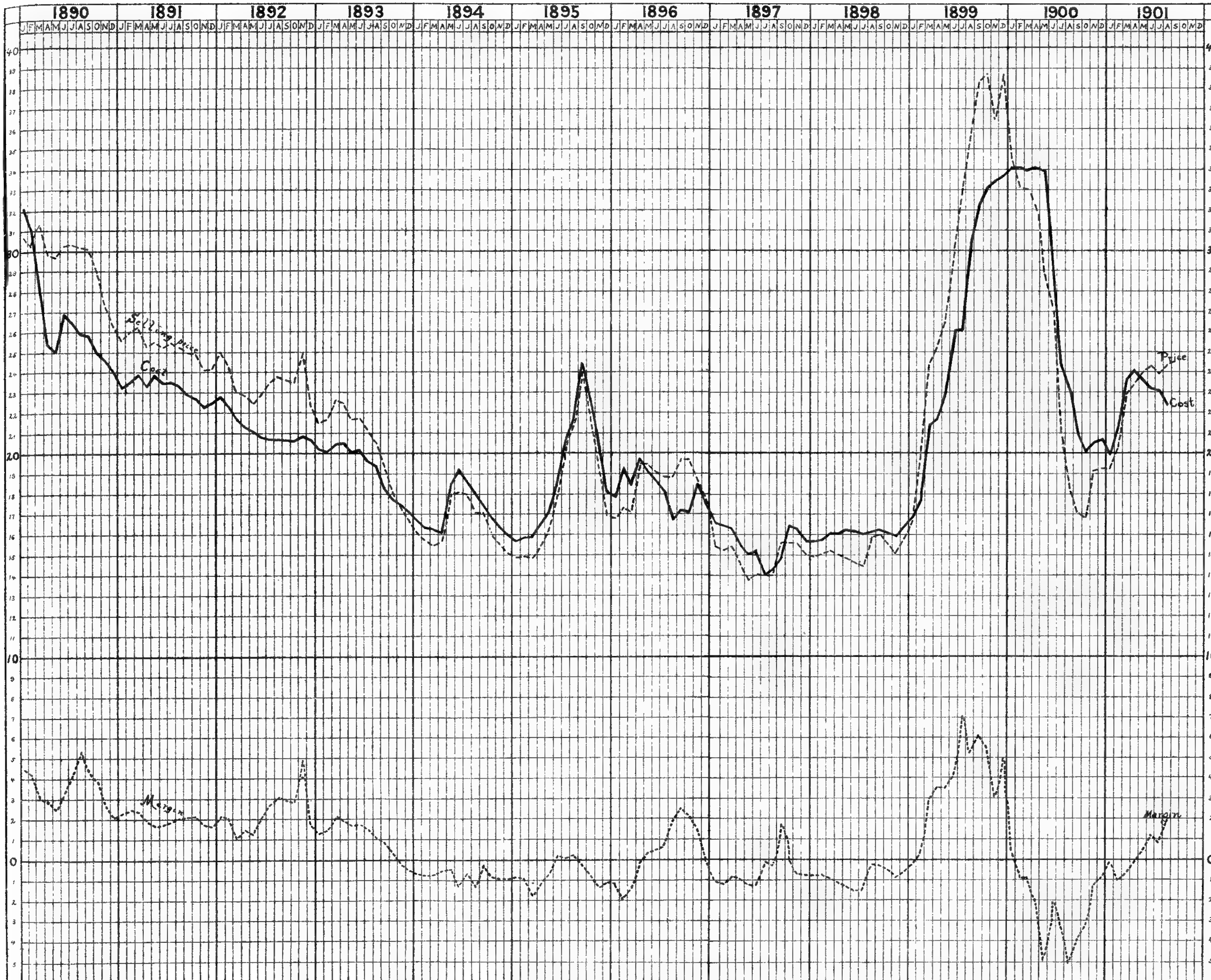
It is important to note, in considering the movement of the prices of steel billets and steel rails, that the margin between cost and price depends almost altogether upon the movement in the price of pig iron. The price of pig iron usually follows largely the price of finished steel products, so that we find the margin between costs and prices of the finished product varying less than the margin between the cost of pig iron and its selling price. Any change in the demand for steel billets or steel rails quickly influences the demand for pig iron and is reflected in its price. On the other hand iron ore, the chief raw-material of pig iron, is much farther removed from the finished product. It is produced, not in immediate response to demand for finished product, but largely in advance of demand. Indeed, as already pointed out, the price of ore is fixed for entire seasons at a practically uniform rate.

It should be noted further that, while an advance in the price of steel billets or of steel rails may not materially increase the margin above the cost, this does not necessarily show that the manufacturer of billets or rails derives little advantage from an advance, and must turn over practically all of the profit to the manufacturer of pig iron. It is a well-known fact that, at least at present, most of the large manufacturers of billets and rails produce also their own pig iron, so that whatever profit arises in the entire process of manufacture from the ore to the billet or rail goes into the same hands.

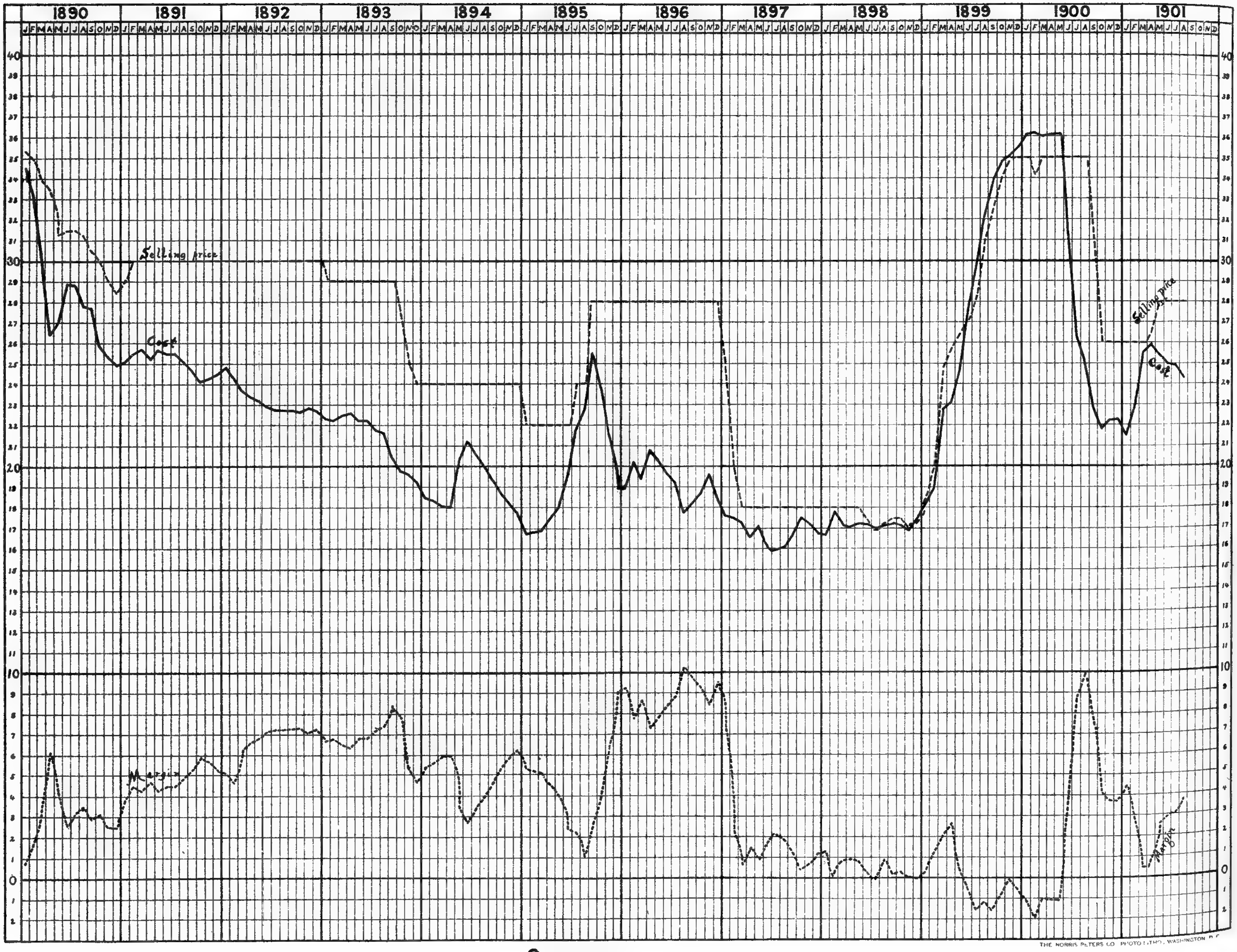
STEEL RAILS.

The constituent materials used in manufacturing steel rails are pig iron (by far the most important), spiegeleisen (which sometimes is replaced by ferromanganese), coke, and coal. A leading establishment reports the average amount of pig iron required to produce a ton of rails at 2,761 pounds; of spiegel, 154 pounds; of coke, 3[illegible] pounds, and of coal, 550 pounds. The same establishment reports the cost of labor in transforming pig iron into a ton of rails at $1.65, and of extras at 75 cents. For the purpose of ascertaining the cost of the raw materials from month to month the prices have been taken on the same basis as indicated in regard to steel billets.

The following table, furnished by the same establishment which furnished the data regarding the quantities used, gives the average yearly cost of spiegel from 189[illegible] to 1900. The quantity used is so small that variations in price from month to month would not much affect the monthly cost of production. The figures for 1890 and for 1901 not being available



B-STEEL BILLETS



C- STEEL RAILS

putation of costs as being the same as that for 1891, and the price for 1901 has been estimated as equal to that of 1900.

Average yearly prices of spiegeliesen, 1891–1900.

Year.	Prices.	Year.	Prices.	Year.	Prices.
1891	$33.01	1895	$17.70	1898	$18.85
1892	33.87	1896	17.46	1899	22.99
1893	34.04	1897	18.98	1900	31.89
1894	28.65				

The explanation regarding the significance of the movement in cost of rails as dependent upon the movement in the price of pig iron, which has been presented in the discussion of steel billets, must be borne in mind in considering the figures for steel rails. The accompanying diagram (C) shows the monthly movement of costs, prices, and margin. A table giving the figures appears at the end of this report. In this table a column has been added showing the aggregate of the margins on both pig iron and rails, which, as already suggested, usually go into the same hands.

GENERAL COMMENT ON MOVEMENTS.

Without attempting to discuss in detail the causes of the various movements in costs, prices, and margins, a few significant points may be indicated.

Probably the most conspicuous fact shown in the diagrams is the very rapid and wide variations in the prices of all three of the products compared, and most of all in the prices of pig iron. Even in earlier years, not covered by the diagrams, the price statistics show similar sharp fluctuations. The diagrams herewith presented bring out the great and sudden decline in the prices of all three products during the year 1890. This was followed by a long and gradual fall, which brought the price of pig iron down from $16 at the beginning of 1891 to $10 at the end of 1894. A sudden sharp rise in the prices of all three products is seen in 1895, but this was followed by an almost equally rapid decline, and during 1897 and 1898 the prices stood practically at a bottom figure. The most noticeable movement shown in the diagram is that during 1899, when the price of pig iron rose from $10 to $25 and the price of rails from $17 to $35. Almost equally sudden and very great, however, was the decline in the prices of these products, especially billets and pig iron, during the latter part of 1900. Since that time there has been a recovery, which leaves the prices of all three products considerably higher than for the years 1890 to 1898.

These often sudden and violent fluctuations show, among other indications, the great changes in demand for iron and steel products from time to time, and the marked sensitiveness of prices to such changes in demand. No very large stock of iron and steel is usually held in advance, and when a period of prosperity causes a great extension of the use of these products, the mills often find themselves temporarily unable to keep pace with the demand, while buyers under certain conditions are willing to pay almost any price.

It should be remembered, as regards all three of the products under consideration, that the published prices represent the current quotations for cash sales or future orders, and that a large proportion of the product at any given time is actually sold under contracts made at an earlier date in accordance with prices then prevailing. Contracts are often taken which require six months or even a year to fill.

It is, of course, obvious that the changes in the cost of production can not account for all the changes in prices shown in the diagrams.

As already indicated, changes in the demand and in the price of pig iron can not immediately reflect themselves in the price of iron ore, which is the chief element entering into the cost of pig iron, since the prices of iron ore are mostly fixed for yearly periods. We find, accordingly, in the case of pig iron, very marked fluctuations in the margin between prices and cost of production whenever the prices vary suddenly. It seems also that any great increase in the price of pig iron does not, even at a later time, cause an equal increase in the cost of production, so as to bring the margin down to its former level, until the price falls again. On the other hand,

course, a sudden fall in the price of pig iron will not be reflected immediately in a decline of costs, and the margin may readily, for the time, fall below zero. It is especially noticeable in the diagram that for a long period, from 1896 to 1898, the margin of interest and profits stood very little above zero and at several times fell below it.

An increase in the demand for steel shows itself very quickly in the increased demand for pig iron. Since large stocks of pig iron are not often accumulated in advance, this demand tends to raise the price of pig iron side by side with that of steel. The margin between the cost of production of steel billets, which depends chiefly on the price of pig iron, and the selling price of billets is therefore usually comparatively small, and the fluctuations in it are much less marked than in the case of pig iron. The most noteworthy instance of departure from this relatively uniform margin is seen in 1899 and 1900. The tremendous increase in the price of steel did not bring up the price of pig iron quite so quickly. As will be seen by the parallel movement of the lines of price and cost, the price of pig iron, which chiefly determines the cost of billets, followed the price of billets by two or three months, thus leaving a very considerable margin for some time. On the other hand, in 1900 the fall in the price of billets was more rapid than that in the price of pig iron, so that the margin fell very much below zero, after which there was again a rapid recovery.

A noteworthy feature of the diagram regarding steel rails is the fact that the selling prices for considerable periods of time throughout the decade covered by the figures have been held uniform. Thus, through most of 1891 and 1892 the uniform price named was $30 per ton; through 1894 it was $24 per ton; and through the latter part of 1895 and 1896 it was $28 per ton. This uniformity in prices is doubtless due to the existence of pools from time to time among the manufacturers, and the sudden changes following the periods of uniformity are probably explicable, not so much by great changes in demand at the precise date of the change in price, as by either the breaking of pools or the determination on the part of their managers that the previously fixed prices were too high or too low. It is very commonly stated in the trade journals that the nominal prices quoted for steel rails are not always maintained in practice, but that, secretly or openly, sales are made below the quoted rates.

To a certain extent the changes in the price of rails are followed by changes in the price of pig iron, but the more or less artificial price of rails indicated in the diagram prevents this parallelism from being as close as it is in the case of billets and pig iron. We find that the cost of rails, which depends largely on the price of the chief constituent, pig iron, varies much more greatly from month to month than the selling price, while, on the other hand, it occasionally happens that a very sudden change in the selling price of rails appears unaccompanied by any correspondingly sudden changes in cost. It naturally follows that the margin between the cost and selling price is a much more variable quantity in the case of rails than in the case of billets. The great increase in the margin during the year 1896 is noteworthy, while still more striking is the fact that from 1897 to the middle of 1900 almost no margin appears. During 1899 the price of rails did not increase as rapidly as that of steel billets, and in some months lagged even behind that of pig iron, so that the margin on rails for several months in 1899 and 1900 was considerably less than zero. On the other hand, the price of rails did not fall as suddenly in 1900 as the price of pig iron or the cost of rails, so that for a short time the margin rises to a very high point, but almost immediately thereafter falls rapidly to approximately zero.

The point must not be forgotten in considering these diagrams that, to a very large extent, the producers of steel billets and of steel rails produce also the pig iron which enters into them. If the increase in the price of the steel products drags with it the price of pig iron, so as to leave little margin between the cost of the steel and the selling price, the profit on the entire process nevertheless goes often into the same hands. A similar argument, of course, applies as regards the effect of a decline in prices or cost. A study of the sum of the margins on both pig iron and rails, shown in Table III, will therefore be desirable in judging the significance of the figures.

Table I.—PIG IRON.

Comparison of average annual cost with monthly selling price and margin between them, 1890–1901.

Year.	Cost.	Selling price.	Margin.
1890.	$15.50		
January		$23.60	$8.10
February		22.55	7.05
March		20.25	4.75
April		17.85	2.35
May		17.55	2.05
June		19.00	3.50
July		18.62	3.12
August		18.10	2.60
September		18.00	2.50
October		17.35	1.85
November		17.00	1.50
December		16.60	1.10
1891.	12.77		
January		15.95	3.18
February		16.25	3.48
March		16.50	3.73
April		16.10	3.33
May		16.50	3.73
June		16.25	3.48
July		16.25	3.48
August		16.00	3.23
September		15.60	2.83
October		15.50	2.73
November		15.15	2.38
December		15.35	2.58
1892.	13.28		
January		15.65	2.37
February		15.25	1.97
March		14.75	1.47
April		14.50	1.22
May		14.36	1.08
June		14.10	.82
July		14.00	.72
August		14.00	.72
September		13.96	.68
October		13.90	.62
November		14.03	.75
December		13.90	.62
1893.	11.39		
January		13.59	2.20
February		13.51	2.12
March		13.75	2.36
April		13.86	2.47
May		13.51	2.12
June		13.50	2.11
July		13.21	1.82
August		13.08	1.69
September		12.19	.80
October		11.60	.21
November		11.46	.07
December		11.17	.22
1894.	8.65		
January		10.90	2.25
February		10.75	2.10
March		10.56	1.91
April		10.49	1.84
May		12.44	3.79
June		13.15	4.50
July		12.60	3.95
August		12.12	3.47
September		11.53	2.88
October		11.02	2.37
November		10.66	2.01
December		10.31	1.66
1895.	9.51		
January		10.06	.55
February		10.15	.64
March		10.23	.72
April		10.69	1.18
May		11.15	1.64
June		12.39	2.88
July		14.14	4.63
August		15.02	5.51
September		17.19	7.68
October		15.77	6.26
November		13.94	4.43
December		11.87	2.36
1896.	$11.93		
January		$11.81	−$0.12
February		12.95	1.02
March		12.25	.32
April		13.32	1.39
May		12.83	.90
June		12.47	.54
July		12.12	.19
August		10.91	− 1.02
September		11.31	− .62
October		11.71	− .22
November		12.46	.53
December		11.54	− .39
1897.	9.45		
January		10.77	1.32
February		10.72	1.27
March		10.57	1.12
April		9.91	.46
May		9.52	.07
June		9.74	.39
July		9.39	− .06
August		9.54	.09
September		10.04	.59
October		10.70	1.25
November		10.52	1.07
December		10.09	.64
1898.	9.74		
January		10.00	− .26
February		10.06	.32
March		10.37	.63
April		10.35	.61
May		10.41	.67
June		10.42	.68
July		10.31	.57
August		10.35	.61
September		10.45	.71
October		10.40	.66
November		10.22	.48
December		10.64	.90
1899.	10.29		
January		11.00	.71
February		11.69	1.40
March		14.77	4.48
April		15.06	4.77
May		16.32	6.03
June		18.70	8.41
July		20.45	10.16
August		22.37	12.08
September		23.85	13.56
October		24.50	14.21
November		24.69	14.40
December		25.00	14.71
1900.	15.35		
January		24.97	9.62
February		25.00	9.65
March		24.90	9.55
April		24.90	9.55
May		24.90	9.55
June		21.16	5.81
July		17.00	1.65
August		16.07	.72
September		14.19	− 1.16
October		13.37	− 1.98
November		13.70	− 1.65
December		13.75	− 1.60
1901.	10.82		
January		13.15	2.33
February		14.43	3.61
March		16.31	5.49
April		16.75	5.93
May		16.30	5.48
June		16.00	5.18
July		15.95	5.13
August		15.37	4.55

Table II.—STEEL BILLETS.

Cost and selling price, with margin between them, 1890–1901.

Year.	Cost.	Selling price.	Margin.
1890.			
January	$32.17	$36.65	$4.48
February	31.05	35.25	4.20
March	28.35	31.37	3.02
April	25.50	28.37	2.87
May	25.09	27.55	2.46
June	26.91	30.25	3.34
July	26.50	30.70	4.20
August	25.91	30.25	4.34
September	25.82	30.12	4.30
October	25.04	28.90	3.86
November	24.60	27.37	2.77
December	24.11	26.25	2.14
1891.			
January	23.22	25.60	2.38
February	23.56	26.00	2.44
March	23.85	26.25	2.40
April	23.38	25.35	1.97
May	23.84	25.50	1.66
June	23.54	25.25	1.71
July	23.57	25.50	1.93
August	23.29	25.31	2.02
September	22.86	25.00	2.14
October	22.72	24.90	2.18
November	22.38	24.16	1.78
December	22.57	24.20	1.63
1892.			
January	22.81	25.00	2.19
February	22.35	24.36	2.01
March	21.69	23.00	1.31
April	21.37	22.81	1.44
May	21.15	22.41	1.26
June	20.82	22.97	2.15
July	20.75	23.50	2.75
August	20.75	23.81	3.06
September	20.73	23.65	2.92
October	20.66	23.53	2.87
November	20.85	24.94	4.09
December	20.70	22.40	1.70
1893.			
January	20.23	21.56	1.33
February	20.14	21.62	1.48
March	20.42	22.60	2.18
April	20.50	22.44	1.94
May	20.04	21.69	1.65
June	19.97	21.70	1.73
July	19.60	21.06	1.46
August	19.40	20.45	1.05
September	18.35	19.31	.96
October	17.66	18.06	.40
November	17.48	17.37	− .11
December	17.14	16.69	− .55
1894.			
January	16.75	16.12	− .63
February	16.50	15.75	− .75
March	16.28	15.55	− .73
April	16.16	15.69	− .47
May	18.42	18.00	− .42
June	19.25	18.12	−1.13
July	18.65	18.00	− .65
August	18.18	17.15	−1.03
September	17.45	17.19	− .26
October	16.82	16.00	− .82
November	16.40	15.57	− .83
December	16.00	15.12	− .88
1895.			
January	15.74	14.90	− .84
February	15.83	14.95	− .88
March	15.92	14.84	−1.08
April	16.49	15.44	−1.05
May	17.02	16.30	− .72
June	18.51	18.63	+ .12
July	20.59	20.75	+ .16
August	21.64	21.75	+ .11
September	24.20	24.00	− .20
October	22.57	21.90	− .67
November	20.49	19.13	−1.36
December	18.08	16.97	−1.11

Year.	Cost.	Selling price.	Ma
1896.			
January	$17.93	$16.80	
February	19.26	17.38	
March	18.43	17.09	
April	19.70	19.53	−
May	19.11	19.50	+
June	18.62	19.12	+
July	18.19	18.85	+
August	16.78	18.75	+
September	17.23	19.75	+
October	17.68	19.75	+
November	18.57	20.00	+
December	17.51	17.50	−
1897.			
January	16.53	15.42	
February	16.47	15.25	
March	16.29	15.44	
April	15.52	14.60	
May	15.04	13.82	
June	15.29	14.06	
July	14.11	14.00	
August	14.29	14.00	−
September	14.87	15.60	+
October	16.45	16.44	−
November	16.25	15.57	
December	15.75	15.00	
1898.			
January	15.68	14.93	
February	15.78	15.06	
March	16.14	15.25	
April	16.13	15.06	
May	16.22	14.85	
June	16.19	14.65	
July	16.06	14.50	−
August	16.11	15.85	
September	16.24	16.00	−
October	16.15	15.56	−
November	15.94	15.06	
December	16.44	15.80	
1899.			
January	16.86	16.62	−
February	17.70	18.00	
March	21.43	24.30	
April	21.79	25.37	
May	23.25	26.75	
June	26.04	30.10	
July	26.10	33.12	
August	30.40	35.62	
September	32.28	38.37	
October	33.16	38.75	
November	33.45	36.50	
December	33.74	38.75	
1900.			
January	34.06	34.50	
February	34.08	33.10	
March	33.98	33.00	
April	34.03	32.00	
May	33.87	28.90	−
June	29.38	27.25	−
July	24.37	21.00	
August	23.23	18.20	
September	21.05	17.06	
October	20.14	16.80	
November	20.52	19.19	
December	20.62	19.75	−
1901.			
January	19.85	19.75	
February	21.34	20.31	
March	23.60	22.87	
April	24.16	24.00	
May	23.60	24.00	
June	23.20	24.37	
July	23.09	23.90	
August	22.39	24.37	

Table III.—STEEL RAILS.

Cost and selling price, with margin between them, 1890–1901.

Year.	Cost.	Price.	Margin.	Sum of margins on pig iron and on rails.	Year.	Cost.	Price.	Margin.	Sum of margins on pig iron and on rails.
1890.					1895.				
January	$34.52	$35.25	$0.73	$8.83	January	$16.68	$22.00	$5.32	$5.87
February	33.22	35.00	1.78	8.83	February	16.79	22.00	5.21	5.85
March	30.39	34.00	3.61	8.36	March	16.89	22.00	5.11	5.83
April	27.42	33.50	6.08	8.43	April	17.46	22.00	4.54	5.72
May	27.01	31.25	4.24	6.29	May	18.03	22.00	3.97	5.61
June	28.86	31.50	2.64	6.14	June	19.56	22.00	2.44	5.32
July	28.39	31.50	3.11	5.23	July	21.71	24.00	2.29	6.92
August	27.75	31.25	3.50	6.10	August	22.80	24.00	1.10	6.61
September	27.64	30.50	2.86	5.36	September	25.47	28.00	2.53	10.21
October	26.84	30.00	3.16	5.01	October	23.76	28.00	4.24	10.50
November	26.41	29.00	2.59	4.09	November	21.50	28.00	6.50	10.93
December	25.93	28.50	2.57	3.67	December	18.94	28.00	9.06	11.42
1891.					1896.				
January	25.11	29.00	3.89	7.07	January	18.83	28.00	9.17	9.15
February	25.48	30.00	4.52	8.00	February	20.24	28.00	7.76	8.78
March	25.68	30.00	4.32	8.05	March	19.37	28.00	8.63	8.95
April	25.29	30.00	4.71	8.04	April	20.69	28.00	7.31	8.70
May	25.68	30.00	4.32	8.05	May	20.09	28.00	7.91	8.81
June	25.46	30.00	4.54	8.02	June	19.62	28.00	8.38	8.92
July	25.46	30.00	4.54	8.02	July	19.19	28.00	8.81	9.00
August	25.15	30.00	4.85	8.08	August	17.72	28.00	10.28	9.26
September	24.69	30.00	5.31	8.14	September	18.21	28.00	9.79	9.17
October	24.15	30.00	5.85	8.58	October	18.68	28.00	9.32	9.10
November	24.24	30.00	5.76	8.14	November	19.60	28.00	8.40	8.93
December	24.49	30.00	5.51	8.09	December	18.47	28.00	9.53	9.14
1892.					1897.				
January	24.82	30.00	5.18	7.55	January	17.62	25.00	7.38	8.70
February	24.32	30.00	4.68	6.65	February	17.56	20.00	2.44	3.71
March	23.70	30.00	6.30	7.76	March	17.31	18.00	.69	1.81
April	23.39	30.00	6.61	7.83	April	16.56	18.00	1.44	1.90
May	23.19	30.00	6.81	7.89	May	17.07	18.00	.93	1.00
June	22.87	30.00	7.13	7.95	June	16.33	18.00	1.67	2.06
July	22.75	30.00	7.25	7.97	July	15.91	18.00	2.09	2.03
August	22.75	30.00	7.25	7.97	August	16.09	18.00	1.91	2.00
September	22.72	30.00	7.28	7.96	September	16.71	18.00	1.29	1.88
October	22.65	30.00	7.35	7.97	October	17.53	18.00	.47	1.72
November	22.83	30.00	7.17	7.92	November	17.31	18.00	.69	1.74
December	22.68	30.00	7.32	7.94	December	16.78	18.00	1.22	1.86
1893.					1898.				
January	22.32	29.00	6.68	8.80	January	16.67	18.00	1.33	1.59
February	22.21	29.00	6.79	9.33	February	17.81	18.00	.19	.51
March	22.50	29.00	6.50	8.86	March	17.13	18.00	.87	1.50
April	22.62	29.00	6.38	8.85	April	17.10	18.00	.90	1.51
May	22.18	29.00	6.82	8.94	May	17.17	18.00	.83	1.50
June	22.16	29.00	6.84	8.59	June	17.19	17.50	.31	.99
July	21.77	29.00	7.23	9.05	July	17.05	17.00	—.05	.52
August	21.60	29.00	7.40	9.09	August	17.10	18.00	.90	1.51
September	20.51	29.00	8.49	9.29	September	17.22	17.50	.28	.99
October	19.78	27.50	7.72	5.93	October	17.16	17.50	.34	1.00
November	19.61	25.00	5.39	5.60	November	16.94	17.00	.06	.54
December	19.25	24.00	4.75	4.97	December	17.46	17.50	.04	.94
1894.					1899.				
January	18.55	24.00	5.45	7.70	January	18.11	18.50	.39	1.10
February	18.36	24.00	5.64	7.74	February	18.96	20.25	1.29	2.69
March	18.12	24.00	5.88	7.79	March	22.76	24.80	2.04	6.52
April	18.03	24.00	5.97	7.81	April	23.12	25.75	2.63	7.40
May	20.42	24.00	3.58	7.37	May	24.67	25.20	.53	6.56
June	21.29	24.00	2.71	7.21	June	27.62	27.25	— .37	8.04
July	20.61	24.00	3.39	7.34	July	29.76	28.25	—1.51	8.65
August	20.03	24.00	3.97	7.44	August	32.15	31.00	—1.15	10.93
September	19.30	24.00	4.70	7.48	September	33.98	32.50	—1.48	12.08
October	18.67	24.00	5.33	7.70	October	34.83	34.00	— .83	13.38
November	18.22	24.00	5.78	7.79	November	35.14	35.00	— .14	14.[illegible]
December	17.79	24.00	6.21	7.87	December	35.52	35.00	— .52	14.19

TABLE III.—STEEL RAILS—Continued.

Cost and selling price, with margin between them, 1890–1901—Continued.

Year.	Cost.	Price.	Margin.	Sum of margins on pig iron and on rails.	Year.	Cost.	Price.	Margin.	Sum marg on iron on ra
1900.					1901.[1]				
January	$36.08	$35.00	—$1.08	$8.54	January	$21.54	$26.00	$4.46	[illegible]
February	36.12	34.20	— 1.92	7.73	February	23.14	26.00	2.86	[illegible]
March	36.00	35.00	— 1.00	8.55	March	25.53	26.00	.47	[illegible]
April	36.05	35.00	— 1.05	8.50	April	25.98	26.50	.52	[illegible]
May	36.04	35.00	— 1.04	8.51	May	25.41	28.00	2.59	[illegible]
June	31.43	35.00	3.57	9.38	June	25.05	28.00	2.95	[illegible]
July	26.30	35.00	8.70	10.35	July	24.99	28.00	3.01	[illegible]
August	25.14	35.00	9.86	10.58	August	24.28	28.00	3.72	[illegible]
September	22.83	30.25	7.42	6.26					
October	21.83	26.00	4.17	2.19					
November	22.22	26.00	3.78	2.13					
December	22.28	26.00	3.72	2.02					

[1] The figures of cost include estimates of the cost of coal and spiegel, as the same as during 1 precise figures not being available. The error can not be large, but might affect the margin by cents or more; the correct margin would probably be larger.

WHOLESALE AND RETAIL PRICES.

AN INVESTIGATION OF THE LOCAL DIFFERENCES IN PRICES OF ARTICLES PRODUCED BY CERTAIN INDUSTRIAL COMBINATIONS.

The charge is sometimes made regarding various industrial combinations that, for the purpose of destroying competition, they lower the prices of the commodities produced by them in certain specific towns or sections of the country in which competitors are seeking to gain a foothold, while keeping prices at a higher level elsewhere in order to recoup themselves. It is also asserted that some industrial combinations fix prices in different localities in a more or less arbitrary manner, according not merely to the degree of competition encountered, but to the attitude of the people, the population, and various other conditions. It has been the aim of the Industrial Commission to make an investigation as to the basis of these charges by inquiries addressed to 5,000 retail dealers in towns throughout the entire country. For this purpose four articles were selected—illuminating oil, sugar, salt, and Royal Baking Powder. These were chosen primarily because of the fairly uniform quality of the product, which, it was believed, would make it possible to compare accurately the prices in different localities. As to many other articles made by industrial combinations such a comparison would be impossible; the variety of grades, styles, and classes is so great that there could be no certainty that the dealers were reporting regarding precisely the same thing in each case.

The following is a copy of the schedule of inquiries which was sent to retail grocers throughout the United States:

THE INDUSTRIAL COMMISSION.

INQUIRY RELATING TO WHOLESALE AND RETAIL PRICES.

[Extract from law creating commission.]

An act authorizing the appointment of a nonpartisan commission to collate information and to consider and recommend legislation to meet the problems presented by labor, agriculture, and capital.

It shall be the duty of this commission to investigate questions pertaining to immigration, to labor, to agriculture, to manufacturing, and to business, and to report to Congress and to suggest such legislation as it may deem best upon these subjects.

It shall have the authority to send for persons and papers, and to administer oaths and affirmations.

WASHINGTON, D. C., ——— ———, *1901.*

Mr. ——— ———.

DEAR SIR: The Industrial Commission is making an investigation into prices of a few products throughout different sections of the United States, in order to see what degree of uniformity exists and the reasons for differences in prices in different localities.

The commission therefore asks you to aid it by filling out the following blanks as accurately as possible and returning the schedule of inquiries in the inclosed envelope, which requires no postage.

The questions regarding the persons from whom and the points from which you obtain these articles, and the freight rates, are designed to make it more possible to obtain accurate comparisons between the different localities.

For the sake of making the figures obtained more perfectly comparable, and avoiding any errors which might arise from difference in prices at different dates, the commission requests that you give all the figures as of date February 15, or as near that date as your purchases make it possible for you to give them.

This information will be considered entirely confidential. Your name will not be printed in any report and will not be given to any person. It is the intention simply to group the answers for statistical purposes.

Please be good enough to give the matter your immediate attention. It is believed that the information obtained through these schedules will be of great value to the country.

Respectfully,

UNITED STATES INDUSTRIAL COMMISSION,

Address, 35-39 B street NW., Washington, D. C.

(Date) ——— ———.

1. What price are you paying per gallon for standard white illuminating kerosene oil, in lots of from 1 to 10 barrels (we refer to oil testing at least 110°, or of sufficiently high test to meet the requirements of the laws of your State or of the insurance companies)? ——— ——— cents.
2. At what price per gallon do you sell such standard white illuminating oil, in lots of 5 gallons or less? ——— ——— cents.
3. If you handle other grades of kerosene oil, what price do you pay for them and at what price do you sell them? Grade, ——— ———; ——— cents.
4. What is the name of the maker of the standard white oil which you sell, and from whom do you purchase it? ——— ——— ———. Name of the maker of other grades? ——— ———.
5. From what point is your oil shipped? ——— ———. If you pay the freight, what is the rate paid, and between what points? ——— ———.
6. What price per pound do you pay for the standard grade of granulated sugar, in lots of from 1 to 10 barrels? ——— ——— cents.
7. At what price per pound do you sell standard granulated sugar, in lots of 25 pounds or less? ——— ——— cents.
8. What is the name of the maker of this sugar, and from whom do you purchase it? ——— ———.
9. From what point is this sugar shipped to you? ——— ———. If you pay the freight, what is the rate, and between what points? ——— ———.
10. What price per barrel or sack do you pay for ordinary salt used for general farm purposes (not the grained table salt or fine dairy salt), in lots of 10 barrels or 10 sacks or upward? ———.
11. At what price do you sell the above-mentioned salt per barrel or per sack, retail? ——— ———.
12. What price per pound or sack do you pay for American dairy salt, in lots of 10 or more sacks? ——— ———.
13. At what price per pound or sack do you sell the above salt at retail? ——— ———.
14. What is the name of the maker or makers of these grades of salt, and from whom do you buy each? ——— ———.
15. From what point are these classes of salt shipped to you? ——— ———. If you pay the freight, what is the rate, and between what points? ——— ———.
16. What price per sack or pound do you pay for Ashton (English) dairy salt? ——— cents. At what price do you sell it? ——— ———.
17. What price do you pay per half-pound box and per pound box of Royal Baking Powder, in lots of 25 pounds or more? Half-pound, ——— ——— cents; pound, ——— ——— cents.
18. At what price do you sell the single half-pound box and pound box of Royal Baking Powder? Half-pound, ——— ——— cents; pound, ——— ——— cents.
19. From whom do you buy Royal Baking Powder? ——— ———.
20. From what point is Royal Baking Powder shipped to you? ——— ———. If you pay the freight, what is the rate, and between what points? ——— ———.

Signed, ——— ———.
Address, ——— ———.

To this circular 1,578 replies were received, representing every State in the Union, and coming from towns of all varieties of size and characteristics, all of which have been tabulated. Dealers often do not handle all of the commodities, or fail to give clear answers as to some of them.

All dealers were asked for the wholesale prices paid on February 15, 1901, or at the nearest date on which the respective classes of goods had been bought. Some minor variations in prices reported may be due to the fluctuations in the general market, but it is probable that the figures are not much affected in this way, although in the case of salt there was such a rapid advance in the general market during 1900 and 1901 that some of the lower figures doubtless represent earlier purchases.

It was found impossible, despite the greatest care, to frame the questions regarding salt in such a way that the replies given should prove wholly comparable. The inquiries related to three separate grades of salt, with the intention of avoiding error by the report of different grades by different dealers. The replies show, however, that in certain sections of the country the names and character of the grades of salt are different from those in other sections. Moreover the replies refer frequently to salt in packages of different sizes and material, elements which affect cost, so that it is believed by the Commission that some of the figures are of comparatively little value, though most of them are fairly comparable. The attempt has been made so far as possible to present figures for the ordinary grade of coarse salt in barrels or large sacks. The prices quoted by the National Salt Company for different sorts of packages at a given point show a variation amounting to nearly 7 cents per hundred pounds in some cases for the same grade of salt, according to the package used, some packages, such as barrels, costing more than others, such as the lower grade of bags. It is impossible to make allowances for these differences in packages. Some replies had to be omitted altogether because the price referred to a package the size of which could not be ascertained. In the case of oil, sugar, and Royal Baking Powder it is believed that the figures of all dealers relate essentially to the same article (except as indicated in notes).

In the general tables setting forth the replies to these schedules the names of the dealers, which of necessity must be treated as confidential, have been omitted. The names of the towns from which the replies were received are presented alphabetically under each State. For each city or town the population is given, since it is naturally to be expected that the retail prices, and to a less extent the wholesale prices, will be affected somewhat by the size of the place. In the next two columns are indicated the answer to the important question whether the article is delivered with freight prepaid, and if not, the point from which it is shipped, with the freight rate to the point of destination, when given. The next column of each table shows the wholesale price paid by the dealer. The wholesale price in no case includes the freight rate where that rate is paid by the dealer directly (unless by incorrectness of the dealer's report). An approximation to the actual cost of the article laid down may be obtained in such cases by adding the freight charge per unit to the wholesale price paid at the point of origin; but it must be remembered that the freight applies to the containers and boxes (tank cars excluded) as well as to the actual contents. Unfortunately in some cases, both where freight rates are reported by dealers and where they are omitted, it is impossible to be certain whether the freight is actually paid by the dealer or by the shipper. Thus, in regard to salt especially, the freight charge is sometimes paid by the buyer and afterwards refunded, or the freight rate is distinctly stated as a part of the price. In such a case the dealer may report the price of the article while also erroneously giving a freight rate as though paid by him. Usually, however, the replies are clear in this regard.

In the next column are shown the retail prices at which the respective articles are sold by the various dealers. There is reason to believe that some of the statements regarding excessive differences in prices in various towns and sections are due to differences in the retail rather than in the wholesale price. The present inquiry avoids this error by giving both wholesale and retail prices. Another column shows the difference between the wholesale and the retail prices, the freight rate being taken into account, although for the reasons above stated it may at times be slightly misleading. The last column indicates the name of the maker of the product, except of course in the case of the Royal Baking Powder Company. Certain footnote comments have been appended in cases where there was doubt as to the accuracy of the figures, or as to the grade of the product, as well as in cases where towns are not located on railroads.

It is especially to be noted that a large majority of the dealers buy their oil from local tank stations or delivery wagons, having, accordingly, no freight or cartage to pay. Almost always, too, they buy from the original refiner, and not from a jobber. On the other hand, sugar and baking powder are bought almost altogether from jobbers, and not from the manufacturer directly, as appears clearly from the replies of dealers. In the case of salt, many dealers buy from the original producer, while others buy from jobbers. It may be true that some of the local differences in the prices of these three articles represent differences in the profits charged by jobbers. Great difference of practice exists in the case of each of these last three articles as regards the prepayment of freight by the seller.

From the detailed statistics of prices the summary tables preceding the general tables have been compiled. These summary tables show, for each article, the average wholesale and the average retail prices in each State; the town in each State in which the highest wholesale price is found, with its population and the price; the town in which the lowest wholesale price is found, with the population and the price; the highest retail price charged in the State, and the excess or margin above the wholesale price after deducting the freight; and the lowest retail price, with the margin thereon. In considering the average prices it is to be remembered that their significance depends in part on the number of replies in each State. Averages based on a small number of figures may be made very misleading by one or two extreme figures. The

summary tables show also the number of dealers in each State who buy the product of the Standard Oil Company and the American Sugar Refining Company or their subordinate companies, as compared with the total number of dealers reporting. The data regarding the makers of salt are too incomplete for similar presentation. Necessary comments have also been inserted in the tables. The wholesale prices given in the summary tables are for goods delivered, unless otherwise indicated. The average wholesale prices include the freight charges.

A glance at these tables shows that there is a much greater difference between the highest and lowest wholesale prices within each State and throughout the country in the case of oil and salt than in the case of sugar or baking powder. It should be pointed out, however, that greater differences in the prices charged to retail dealers for salt and for oil are to be expected than would be expected in the case of sugar and baking powder. The freight charges to the point of consumption bear a much larger proportion to the cost of oil or salt at the place of production than they bear to the cost of sugar or of baking powder at the factory. Oil and salt are much heavier in proportion to their value than either of the last-named articles. A gallon of oil, which at the center of production might be bought at wholesale for perhaps 6 cents, weighs 6.4 pounds (constructive weight fixed by all railroads), and a single pound of coarse salt is worth little more than a quarter of a cent at the producing plant. On the other hand a single pound of sugar sells for 5 or 6 cents at the factory and a pound of baking powder sells at from 35 to 40 cents.

While oil is thus a much more bulky commodity in proportion to its value than either sugar or baking powder, the freight rate charged per hundredweight does not differ greatly from that charged for sugar, although it is materially lower than that for baking powder. Rates on salt per hundredweight are usually from 10 to 50 per cent lower than on sugar. Oil in barrels shipped in less than carload lots falls in the third of the six classes of the Official or Eastern classification and thus is a rather expensive article to transport in that manner. Very seldom, however, is oil shipped any considerable distance in less than carload lots, especially in the more densely settled parts of the country. In carload lots oil in barrels takes fourth class under the Official classification, while in tank cars, the ordinary method of shipment for longer distances, it takes commodity rates, which each railroad determines for itself. These commodity rates differ considerably on different railroads, even within the territory of any one of the three freight classifications which apply in the great divisions of the country. By way of illustrating the relation of oil rates to those on other products, the following specific cases may be cited: From Oil City, Pa., to Chicago and New York, territory within the scope of the Official classification, the freight rates on petroleum and its products in tank cars are about equal to fourth-class rates. In the territory of the Southern classification, barreled oil in part carloads is third class, while in carload lots, whether in barrels or tank cars, it falls in the lowest, or sixth class. In shipments from the Ohio River south, however, special commodity rates apply. The rates from Cincinnati and Louisville, for example, to Montgomery, Atlanta, and other leading Southern points, are from 10 to 30 per cent less than the sixth-class rates. Commodity rates on oil from Chicago and Peoria to Missouri River points, in the territory of the Western classification, are nearly the same as the rates on fifth-class commodities. Sugar in carload lots under the Official classification takes the fifth class; in part carload lots it pays 20 per cent less than the third-class rates, but in no case is the charge to be less than the fourth-class rate. According to that classification baking powder (if not packed in glass) takes the third-class rate in less than carload quantities, and the fourth class in carloads. Under the Official classification salt in barrels takes the fourth-class rate when the quantity is less than a carload, and the sixth-class rate in carload lots. By the Southern classification, salt in less than carload lots takes the lowest, or sixth class, while in carloads it takes commodity rates, varying for the different railroads, but

materially lower than sixth class. It will be seen that the difference in the classification of the four products under consideration is not exceedingly great, and that the rate per hundred pounds on any one of them could scarcely at the utmost ever exceed twice the rate on any other of the commodities.

It may be said also that the local charges for cartage and handling may be expected to be higher in the case of the bulky products, oil and salt, than in the case of sugar or baking powder. Oil is usually actually delivered at the door of the dealer at the expense of the seller, while the other products must be usually hauled from the railroad stations at the expense of the buyer.

In preparing the summary tables of prices great pains have been taken to eliminate or to comment specially in footnotes on any figures which seem not properly comparable. Thus in the case of oil the two leading grades were asked for to avoid error by the report of different grades by dealers. In most cases dealers have distinctly reported prices for both grades of oil. The lower grade has uniformly been selected for tabulation. In other cases only one grade, usually the lowest, is reported, but whenever there was reason to believe that the grade reported was a higher one it has been omitted in the summary table. The dealers quite frequently stated precisely the test of the oil or the name. The ordinary lower grade of oil sold in most sections of the country tests 150°. In several of the Southern States the Waters-Pierce Oil Company, a branch of the Standard Oil Company, sells Brilliant oil, which various dealers say tests 110°, and Eupion oil, reported to test 150°. Where both grades are reported Brilliant has been selected. Eupion sells at from 2 to 4 cents more wholesale. Where dealers in any section have reported the only grade of oil handled as testing 175°, or have given the name of a grade known to be of higher test than 150°, such as Eocene, etc., these figures have been omitted in the summary table of comparison, and footnotes have been inserted to indicate the significance of the figures in the main tables. In other cases doubtful grades have been questioned. It can scarcely be hoped that all errors have been avoided, since the replies of dealers are not always specific; but it is believed that the errors which remain in the summary table are few, since figures which were questionable have been omitted. In many instances the highest wholesale price shown in the table for a given State is definitely stated by the dealer concerned to represent the standard lower grade of oil. Such oil goes in different sections of the country under various names, such as Water White, Perfection, etc.

By means of the summary tables given above two methods of comparison may be employed. The wholesale prices of the several commodities in different sections of the country may be compared with one another, or the relative prices in different towns of the same State may be compared. For the first purpose it is desirable to compare the lowest wholesale prices found in the different States, and more particularly perhaps the average prices by States; while obviously for the other purpose the lowest and the highest prices within each State are to be taken.

By these tables also the relative retail prices and the margins received by retailers in different sections of the country or in different towns of the same State may be compared. In this way the extent to which variations in prices paid by consumers in different places are due to the charges of the retailer rather than of the producer or wholesale dealer may be ascertained. It should, however, be noted that variations in the retail prices reported are sometimes in part accounted for by the difference in the quantities on which the price is based, some dealers giving the price for a single unit and others for larger quantities.

The commission has not attempted to enter into a detailed analysis of the causes affecting the differences in the prices of the various products at different points. The calculation for any particular point would be difficult, and for a large number of points would be almost impossible. Some of the chief elements affecting the local wholesale prices may be mentioned, without any endeavor to indicate their quantitative importance.

The most obvious factor affecting the cost of laying down a product at any place is the freight rate from the point of production. To ascertain the centers from which products are shipped and the freight rates over various roads to their destination would be a matter of very great difficulty. Attention may be called to the fact that freight rates to places equally distant from a common center, even to places quite near to one another, may differ materially. It is especially noticeable that local freight rates to noncompetitive points are often very much higher proportionately than through freight rates to points where railroad competition exists. The cost of local establishments handling the product in getting it to the retail dealer, such as the tank stations of the various oil companies, must be added to the cost of the delivered product. Furthermore, the cost of cartage is to be considered. Evidently, differences may exist in the amount of these factors of cost in different cases. As already observed, the profit of the jobber in the case of articles which are sold through jobbers is an element of cost to the retail dealer which may vary in different cases. Often some small difference is made in the price according to whether the payment is in cash or after periods of varying length.

While, as already indicated, it would be impracticable to ascertain the freight rates to all points, the following table, giving the through freight rates on oil from the central refining points to certain leading trade centers throughout the country, will prove convenient to those desiring to make a further investigation as to the causes of the differences in prices of this product.

Freight rates on illuminating oil.

[Railroad companies treat all petroleum products as weighing 6.4 pounds per gallon.]

Point of destination.	Point of supply.	Rate in cents.		Point of destination.	Point of supply.	Rate in cents.	
		Per 100 lbs.	*Per gallon.*			*Per 100 lbs.*	*Per gallon.*
Mobile, Ala	Whiting	23	1.5	Vicksburg, Miss	Whiting	23	1.5
Birmingham, Ala	do	44	2.8	Jackson, Miss	do	44	2.8
Little Rock, Ark	do	30½	1.9	Kansas City, Mo	do	27	1.7
San Francisco, Cal	do	78½	5	Lincoln, Nebr	do	30	1.9
Denver, Colo	do	77	4.9	Keene, N. H	Buffalo	18½	1.2
Jacksonville, Fla	Baltimore	29	1.9	Albany, N. Y	do	11½	.74
Savannah, Ga	do	22	1.4	Wilmington, N. C	Baltimore	20	1.3
Springfield, Ill	Whiting	9	.6	Fargo, N. Dak	Whiting	47	3
Indianapolis, Ind	do	8	.5	Portland, Oreg	do	78½	5
Dubuque, Iowa	do	15	.95	Harrisburg, Pa	Franklin	47½	3
Des Moines, Iowa	do	23½	1.5	Charleston, S. C	Baltimore	20	1.3
Atchison, Kans	do	27	1.7	Sioux Falls, S. Dak	Whiting	28	1.8
Louisville, Ky	do	11½	.74	Memphis, Tenn	do	18	1.15
Winchester, Ky	Parkersburg	12½	.8	Windsor, Vt	Buffalo	18½	1.2
New Orleans, La	Whiting	23	1.5	Seattle, Wash	Whiting	78½	5
Portland, Me	Buffalo	24½	1.6	Wheeling, W. Va	Pittsburg	7	.45
Hagerstown, Md	Franklin	14½	.92	Madison, Wis	Whiting	12½	.8
Worcester, Mass	Buffalo	18½	1.2	Cheyenne, Wyo	do	77	4.9
St. Paul, Minn	Whiting	20	1.3				

TABLE A.—*Summary of statistics as to prices of oil (150 degrees test—see comment, p. 777), by States.*

State.	Number of replies.	Number buying from Standard Oil Company and dependent companies.	Highest wholesale price in State. Town.	Population, 1900.	Price per gallon.	Lowest wholesale price in State. Town.	Population, 1900.	Price per gallon.	Average wholesale price, including freight.
					Cents.			*Cents.*	*Cents.*
Alabama	23	23	Ozark	1,570	16	Florence[1]	6,478	10.50	13.08
Arkansas	35	33	Hot Springs[1]	9,973	15	Helena[1]	5,550	11	13.50
California	39	39	Bakersfield[1]	4,836	20	Oakland	66,960	12.50	14.60
Colorado	9	9	Central City[1]	3,114	20	La Junta[1]	2,513	13	16.90
Connecticut	23	23	Southport	....	11	Meriden	24,296	7.25	9.73
Delaware	6	6	Georgetown	1,658	10	Wilmington	76,508	8	9.16
Florida	9	9	Miami	1,681	15.50	Pensacola	17,747	10.50	13.36
Georgia	21	21	Eastman	1,235	16	Augusta	39,441	11	13.52
Idaho	8	8	Idaho City	390	[2]26	Moscow[1]	2,484	21	21.84
Illinois	88	88	Ashland[1]	1,201	10	Chicago	1,698,575	6	9.20
Indiana	61	61	Alexandria	7,221	10.50	Indianapolis	169,164	5.50	8.33
Iowa	47	46	Malvern[1]	1,166	11	Davenport	35,254	7	10.34
Kansas	40	38	Arkansas City[1]	6,140	13	Argentine	5,878	8.50	12.57
Kentucky	31	30	Scottsville	824	11.50	Louisville	204,731	7	8.74
Louisiana	9	8	Monroe	5,428	14	Mandeville	1,029	9	10.97
Maine	31	29	Caribou	4,758	12.75	Sanford	6,078	8.25	10.18
Maryland	15	15	Snow Hill[1]	1,596	9.50	Cumberland	17,128	6.50	8.39
Massachusetts	94	88	Plymouth[1]	9,592	9.75	East Weymouth	....	7.50	9.90
Michigan	63	56	Crystal Falls	3,231	12.25	Detroit	285,704	5.50	8.92
Minnesota	50	49	Moorhead	3,730	12.50	Duluth	52,969	7	10.15
Mississippi	19	19	Iuka[1]	7,816	14.50	Vicksburg	14,834	9.50	12.69
Missouri[4]	60	55	Lockwood	749	12.50	St. Louis	575,238	7.50	11.16
Montana	15	15	Virginia City	568	[3]26	Butte[1]	30,470	20	21.70
Nebraska	33	32	Alliance	2,535	14	Omaha	102,555	8.50	12.02
Nevada	2	2	Virginia City	2,695	[3]27.50	Carson	2,100	21.50	25.78
New Hampshire	21	19	Keene	9,165	10.25	Claremont	6,498	8.50	8.82
New Jersey	55	54	Paterson[1]	105,171	9	Trenton[1]	73,307	7	8.45
New York	147	140	Plattsburg	8,434	9.73	Cohoes	23,910	6.50	8.71
North Carolina	18	18	Shelby	1,874	13	Washington	4,842	9.25	10.94
North Dakota	13	13	Bismarck[1]	3,319	15	Fargo[1]	9,589	12.50	13.31

[1] One or more other towns in the same State report the same price. [2] Plus freight, 6 cents gallon; not on railroad. [3] Possibly a higher grade.

[4] Other towns report higher prices for Eupion oil, said to test 150°; the more common grade reported, that sold at Lockwood, is Brilliant, said by some dealers to test only 110°. Highest price reported for Eupion is 15 cents. Average includes Eupion in several cases.

TABLE A.—*Summary of statistics as to prices of oil (150 degrees test), by States*—Continued.

State.	Number of replies.	Number buying from Standard Oil Company and dependent companies.	Highest wholesale price in State.			Lowest wholesale price in State.			Average wholesale price including freight.
			Town.	Population, 1900.	Price per gallon.	Town.	Population, 1900.	Price per gallon.	
					Cents.			*Cents.*	*Cents.*
Ohio	90	80	Washington C. H	5,751	9.75	Niles[1]	7,468	5.50	8.31
Oregon	17	17	Grants Pass	2,290	20.50	Oregon City	3,494	12.50	15.40
Pennsylvania	121	102	Houtzdale[1]	1,482	10.50	Pittsburg	321,616	5.50	8.27
Rhode Island	15	15	Block Island[3]		10	Westerly	7,541	8.50	9.44
South Carolina	13	13	Mount Pleasant[1]	2,252	13	Columbia	21,108	10	12.44
South Dakota	7	7	Spearfish	1,166	19	Sioux Falls[1]	10,266	10.50	13.57
Tennessee	19	19	McMinnville	1,980	16	Clarksville	9,431	10	13.29
Texas[2]	57	56	Brownsville	6,305	16	Houston	44,633	10	13.30
Utah	12	12	Park City	3,759	22	Salt Lake City[1]	53,331	20	20.87
Vermont	21	18	Randolph	1,540	12.50	Rutland	11,499	8	9.84
Virginia	17	16	Lynchburg	18,891	11	Richmond	85,050	5	9.09
Washington	18	18	Ellensburg[4]	1,737	23.50	Seattle[1]	80,671	13.50	16.54
West Virginia	6	5	Beaver Creek		9.75	Wellsburg	2,588	7	8.50
Wisconsin	45	45	Barronett		10.75	Burlington[1]	2,526	7	9.03
Wyoming	6	6	Rock Springs[1]	4,363	20	Cheyenne[1]	14,087	16	18.77

State.	Highest retail price in State.				Lowest retail price in State.				Average retail price.
	Town.	Population, 1900.	Price per gallon.	Excess above wholesale price, freight deducted.	Town.	Population, 1900.	Price per gallon.	Excess above wholesale price, freight deducted.	
			Cents.	*Cents.*			*Cents.*	*Cents.*	*Cents.*
Alabama	Dothan[2]	3,275	20	6.50	Montgomery[2]	30,346	15	2	16.86
Arkansas	Fort Smith[2]	11,587	20	7	Little Rock	38,307	14	2.50	17.69
California	Eureka[2]	7,327	25	10.625	San Diego[2]	17,700	15	2	15.89
Colorado	Boulder[2]	6,150	23	6	Denver	133,859	18	2	21.22
Connecticut	Sharon	1,982	14	4	Taftville		10	1.75	12.21

[1] Several other towns report same price.
[2] Eupion and Brilliant oil sold chiefly; see note 4, p. 779. The price at Brownsville is for Brilliant; highest price for Eupion is 20 cents; average includes several reports of Eupion oil.
[3] Plus freight from Providence, 1 cent gallon.
[4] May include charge for container.

Delaware	Wilmington[1]	76,508	12	4	Georgetown[1]	1,658	12	2	12
Florida	Monticello	1,076	18	3	Pensacola	17,747	11.[illegible]	1	15.72
Georgia	Eastman	1,235	20	4	Augusta[1]	39,441	15	4	17.95
Idaho	Idaho City	390	40	8	Genesee	731	25	3	31.56
Illinois	Astoria[1]	1,201	15	6	Chicago	1,698,575	7	1	11.93
Indiana	Monticello[1]	2,107	15	6.5	Crawfordsville	6,649	8	1	11.18
Iowa	Eldon[1]	1,850	15	5.50	Des Moines[1]	62,139	10	2	13.19
Kansas	Minneapolis	1,727	20	7.5	Argentine[1]	5,878	11	2.50	15
Kentucky	Somerset[1]	3,384	15	5	Newport	28,301	7.50	1	11.40
Louisiana	Amite City	1,547	18	4.30	Mandeville	1,029	12	3	15.11
Maine	Caribou[1]	4,758	15	2.25	Berwick	2,280	11	1.75	12.90
Maryland	Snow Hill	1,596	14	4.50	Baltimore	508,957	9	1.50	10.96
Massachusetts	Nantucket	3,006	15	4.25	Brookfield[1]	3,062	10	2	11.78
Michigan	Ontonagon	1,267	16	5.50	Detroit	285,704	7	1	10.76
Minnesota	Sauk Center[1]	2,220	16	4.50	Duluth[1]	52,967	10	3	13.07
Mississippi	Columbus[1]	6,484	20	6	Vicksburg	14,834	12.50	3	17.11
Missouri	Sarcoxie	1,126	20	8	St. Louis[1]	575,238	10	2	14.57
Montana	Virginia City	568	35	9	Bozeman	3,419	23	3	26.73
Nebraska	Holdrege[1]	3,007	20	6.50	Omaha	102,555	12	3.50	15.65
Nevada	Virginia City	2,695	35	6.54	....	....	30	6.72	32.50
New Hampshire	Keene[1]	9,165	14	3.75	Laconia[1]	8,042	11	1.75	12.33
New Jersey	Newark	246,070	13	4.50	Camden	75,935	8	1	10.96
New York	Islip	12,545	14	4.50	New York City[1]	3,437,202	9	.50	10.76
North Carolina	Shelby	1,874	18	5	Washington	4,842	11.50	2.25	14.39
North Dakota	Bismarck	3,319	20	5	Wahpeton[1]	2,228	15	2.50	17.23
Ohio	Collinwood	3,639	12.50	4	Cortland	620	7	1.50	10.10
Oregon	Grants Pass	2,290	23	4.50	Portland	90,426	17	3	19.54
Pennsylvania	Audenried[1]	....	15	6.75	Pittsburg	321,616	6	.50	10.70
Rhode Island	Block Island	....	....	....	Westerly[1]	7,541	11	2.50	12.13
South Carolina	Pacolet	365	20	7.5	Columbia	21,108	12.50	2.50	15.81
South Dakota	Deadwood	3,498	25	7	Sioux Falls	10,266	13	2.50	18.71
Tennessee	Trenton[1]	2,328	20	7	Clarkesville	9,431	12	2	16.53
Texas	Tyler[1]	8,069	20	7	....	....	12	2	17.14
Utah	Park City	3,759	35	13	Salt Lake City	53,531	23	3	25.45
Vermont	Windsor[1]	1,656	15	3.75	Rutland	11,499	10	2	13.07
Virginia	Lynchburg	18,891	15	4	Winchester	5,161	8	2	11.75
Washington	Ellensburg	1,737	28	4.50	Seattle[1]	80,671	17	3.50	21.06
West Virginia	Beaver	....	14	4.25	Wheeling	38,878	10	1	11.17
Wisconsin	Sturgeon Bay[1]	3,372	14	2.8	Milwaukee	285,315	9	.50	13.71
Wyoming	Carbon	634	30	10.4	Cheyenne	14,087	20	4	24.58

[1] One or more other towns in the same State report the same price.

TABLE B.—*Summary of statistics as to price of granulated sugar.*

State.	Number of replies.	Number buying from American Sugar Refining Co. and dependent companies.	Highest wholesale price in State (considering freight). Town.	Highest: Population, 1900.	Highest: Price per pound.	Lowest wholesale price in State (considering freight). Town.	Lowest: Population, 1900.	Lowest: Price per pound.	Average wholesale price, including freight.
					Cents.			*Cents.*	*Cents.*
Alabama	24	21	Madison	412	[1] 6.70	Oxford [2]	1,372	5.375	5.73
Arkansas	34	31	Hot Springs	9,973	6.25	Helena	5,550	[3] 5.10	5.59
California	38	38	Pasadena [2]	9,117	6	San Francisco	342,782	5.55	5.93
Colorado	9	7	Buenavista	1,006	6.25	Las Animas	1,192	[4] 5.85	6.05
Connecticut	23	22	South Manchester	....	[5] 5.75	Stamford	15,997	5.25	5.54
Delaware	6	6	Delaware City	1,132	[6] 5.80	Wilmington	76,508	5.33	5.69
Florida	8	6	Gainesville	3,633	[7] 5.80	Milton	1,204	[8] 5.40	5.86
Georgia	22	18	Beulah	....	6.25	Dublin	2,987	5.30	5.76
Idaho	8	7	Moscow [2]	2,484	6.50	Genesee	731	6.25	6.34
Illinois	85	83	Bement	1,484	[9] 5.91	Peotone	1,003	[10] 5.25	5.95
Indiana	64	60	Oakland City	1,991	5.98	Lawrenceburg [2]	4,326	5.50	6.27
Iowa	47	47	Mapleton	1,099	6.08	Dubuque	36,297	5.50	5.91
Kansas	38	32	Minneapolis	1,727	6.20	Argentine [2]	5,878	5.50	5.90
Kentucky	29	26	Campbellsville	631	[11] 6.26	Owensboro	13,189	5.25	5.77
Louisiana	11	9	Mandeville	1,029	6.50	New Orleans	287,104	5.10	5.06
Maine	31	31	Lubec	3,005	5.78	Eastport	5,311	[12] 5.10	5.56
Maryland	17	14	Hagerstown [2]	13,591	5.80	Oxford	1,243	[13] 4.50	5.44
Massachusetts	94	93	Stoughton	5,442	[14] 5.75	Worcester	118,421	[15] 4.59	5.37
Michigan	61	58	St. Johns	639	6.35	Detroit	285,704	5.45	5.76
Minnesota	52	51	Ortonville	1,257	[16] 6.85	St. Paul	163,065	5.65	5.98
Mississippi	19	19	Oxford	1,825	[17] 5.62	Vicksburg [2]	14,834	5.50	5.66
Missouri	62	56	Eldorado Springs	2,137	6.02	St. Louis	575,238	5.35	5.77
Montana	14	12	Butte	30,470	6.75	Helena	10,770	[18] 6.55	6.15
Nebraska	32	30	Crawford	731	6.65	Omaha	102,555	5.56	4.70
Nevada	2	1	Reno	4,500	6.10	Reno	4,500	6.10	6.31
New Hampshire	21	21	Bartlett	1,013	5.86	Canaan	1,444	5.25	5.60
New Jersey	56	53	Cape May	2,257	[19] 5.83	Hoboken	59,364	5.125	5.42
New York	149	134	Potsdam	3,843	6	Allegany	3,692	[20] 5.05	5.63
North Carolina	20	18	Monroe	2,427	[1] 5.75	Wilmington	20,976	[21] 5.30	5.64
North Dakota	14	14	Bismarck	3,319	[22] 6.57	Fargo	9,589	6.10	6.49
Ohio	92	84	Springfield [2]	38,253	5.89	Deshler	1,6[illegible]8	[23] 5.31	5.78
Oregon	17	16	The Dalles	3,542	5.88	Astoria	8,381	5.50	5.93

Pennsylvania	126	115	Falls Creek		[24] 6.50	Lykens	2,762	[25] 5	5.68
Rhode Island	16	16	Providence[2]	175,597	5.59	Westerly	7,541	5.36	5.49
South Carolina	13	16	Spartanburg	11,395	5.85	Walhalla	1,307	[26] 5.20	5.68
South Dakota	7	6	Spearfish	1,166	6.60	Sioux Falls[2]	10,266	6	6.21
Tennessee	19	17	McMinnville	1,980	6	Trenton	2,328	[27] 5.25	5.73
Texas	57	56	Brackettville		6.50	Waco	20,686	5.40	5.58
Utah	13	13	Provo City	6,185	[28] 6.40	Lehi[2]	2,719	6	6.33
Vermont	21	20	Northfield	1,508	5.84	Swanton	1,168	[29] 5.25	5.64
Virginia	17	15	Danville	16,520	5.70	Richmond	85,050	5.17	5.50
Washington	18	17	Pullman[2]	1,308	6.50	Tacoma	37,714	5.67	6.03
West Virginia	6	4	Weston	2,560	5.92	Clarksburg	4,050	5.56	5.72
Wisconsin	46	42	Elkhorn	1,731	6	Oconto	5,646	5.45	5.93
Wyoming	6	5	Sheridan	1,559	6.65	Carbon	634	[30] 5.45	6.72

[1] From Nashville jobber; add freight, 32 cents per hundredweight. Next highest price is 5.95 cents delivered.

[2] One or more other towns in same State report the same price. In other cases, not indicated by notes, the same price is paid at a central market, but the dealer pays a different freight rate.

[3] New Orleans price; add freight, 10 cents per hundredweight.

[4] Beet sugar. Price at La Junta; add 15 cents freight per hundredweight.

[5] Hartford jobbers' price; add freight, 6 cents per hundredweight.

[6] Philadelphia price; add freight, 25 cents per barrel.

[7] Price of New York jobber; add 45 cents freight.

[8] From Pensacola jobber; add freight, 20 cents per barrel.

[9] Chicago jobber's price; add freight, 17 cents per hundredweight.

[10] Chicago jobber's price; add freight, 10 cents per hundredweight.

[11] Louisville jobber's price; add freight, 43 cents per hundredweight.

[12] Boston jobber; add freight, 11 cents per hundredweight.

[13] Baltimore jobber; add freight, 25 cents per barrel. Possibly a lower grade or error.

[14] Price reported as $5\frac{1}{2}$ to $5\frac{3}{4}$.

[15] Possibly lower grade. Other Worcester dealers pay 5.34 and 5.69.

[16] Possibly an error; sells for 6.25.

[17] From New Orleans; add freight, 36 cents per hundredweight. Kansas City price, add freight, 23 cents per hundredweight.

[18] Most dealers buy in San Francisco and pay freight.

[19] From Camden jobber; add freight, 14 cents per hundredweight.

[20] From Arbuckle Bros., New York; add freight, 22 cents per hundredweight.

[21] From New York; add freight, 10 cents per hundredweight.

[22] From Fargo; add freight, 38 cents per hundredweight.

[23] Empire A sugar.

[24] From Pittsburg jobber. Possibly an error, as others buy there cheaper. Sells for 6 cents.

[25] Philadelphia price; add freight, 17 cents per hundredweight.

[26] Charleston price; add freight, 37 cents per hundredweight.

[27] Memphis price; add freight, 26 cents per hundredweight.

[28] Beet sugar used throughout Utah.

[29] Apparently same freight from Burlington to be added.

[30] San Francisco price; add freight, 75 cents per hundredweight.

TABLE B.—*Summary of statistics as to price of granulated sugar*—Continued.

State.	Highest retail price in State.				Lowest retail price in State.				Average retail price.
	Town.	Population, 1900.	Price per pound.	Excess above wholesale price (freight deducted).	Town.	Population, 1900.	Price per pound.	Excess above wholesale price (freight deducted).	
			Cents.	*Cents.*			*Cents.*	*Cents.*	*Cents.*
Alabama	Bessemer	6,358	7.50	2.03	Montgomery	30,346	5.75	0.27	6.59
Arkansas	Springdale [1]	1,251	7.50	1.46	Bentonville[1]	1,843	6	.35	6.60
California	Grass Valley	4,719	7.50	1.45	Sacramento	29,282	5.65	....	6.37
Colorado	Buenavista	1,006	7.50	1.25	Denver	133,859	6	....	6.77
Connecticut	Meriden	24,296	7	1.63	Waterbury	47,859	5.75	.25	5.89
Delaware	Frederica[1]	706	7	1	Lewes[1]	2,259	6	3	6.42
Florida	Milton[1]	1,204	7	1.53	Lake City	4,013	6	.15	6.61
Georgia	Waresboro	269	8	2	Dublin[1]	2,987	6	.70	6.24
Idaho	Salmon City	398	9	1.40	Coeur d' Alene	508	6.75	.21	7.43
Illinois	Virginia	1,600	7.20	1.50	Chicago[1]	1,698,575	5.50	.03	6.07
Indiana	Bloomfield	1,588	7	1.33	Richmond	18,226	5.50	.01	6.41
Iowa	Leon	1,905	7.25	1.39	Atlantic[1]	5,046	6	....	6.33
Kansas	Argentine	5,878	9	3.50	Leavenworth[1]	20,735	5.88	.08	6.38
Kentucky	London[1]	1,147	7	1.20	Louisville	204,731	5.55	.21	6.33
Louisiana	Mandeville	1,029	8	1.43	Monroe[1]	5,428	6	.625	6.50
Maine	Thomaston[1]	2,688	7	1.50	Albion[1]	878	6	.60	6.39
Maryland	Snow Hill	1,596	7	1.10	Baltimore[1]	508,957	5.50	.25	5.93
Massachusetts	New Bedford	62,442	7	1.39	Cambridgeport[1]	....	5.50	.40	5.91
Michigan	Ontonagon	1,267	7	.93	Detroit	285,704	5.50	.03	6.21
Minnesota	Virginia	2,962	7.50	1.60	Waterville	1,260	5.88	.01	6.16
Mississippi	Columbus	6,484	8	2.25	Vicksburg[1]	14,834	6	.50	6.63
Missouri	Lockwood	749	7.14	1.29	St. Joseph[1]	102,979	5.50	....	6.36
Montana	Philipsburg	995	10	3.04	Boulder	....	6.66	.02	7.28
Nebraska	Alliance[1]	2,535	7	.16	Blair	2,970	6	.32	6.19
Nevada	Virginia City	2,695	7	.63	Carson	2,100	6.50	.25	6.75
New Hampshire	Bartlett[1]	1,013	6.50	.64	Belmont[1]	1,294	6	.39	6.20
New Jersey	Keyport	3,413	6.66	1.16	Newark[2]	246,070	5.32	.10	6
New York	Mamaroneck[1]	4,722	7	1.42	Cambridge[1]	1,578	5.50	....	6.12
North Carolina	Lincolnton	828	7.14	1.34	Goldsboro[1]	5,877	6	.45	6.45
North Dakota	Mandan	1,658	8.33	1.93	Fargo[1]	9,589	6.66	.56	7.05
Ohio	Lima	21,723	7.50	1.72	Cincinnati	325,902	5.50	.15	6.39
Oregon	Grants Pass	2,290	7.28	.83	Forest Grove[1]	1,096	6	.17	6.51

Pennsylvania	Carnegie[1]	7,330	7.25	....	Martinsburg	590	5.50	[3].08	6.39
Rhode Island	Block Island	....	6.50	.95	Providence	175,597	5.50	.13	6.05
South Carolina	Pacolet[1]	365	7	1.20	Mount Pleasant	2,252	5.50	.17	6.53
South Dakota	Deadwood[1]	3,498	7	.67	Madison	2,550	6.25	.13	6.76
Tennessee	Columbia[1]	6,052	7	.88	Knoxville	32,637	5.75	.35	6.34
Texas	Brackettville	....	7.50	1	Corsicana[1]	9,313	6	.25	6.34
Utah	Park City	3,759	7.60	1.13	Lehi	2,719	6.25	.25	6.82
Vermont	Stowe	500	7	1.12	Bellows Falls	4,337	5.55	.10	6.20
Virginia	Leesburg	1,513	7	1.26	Norfolk	46,624	5.50	.05	5.75
Washington	Davenport	1,000	7.50	.92	Ballard[1]	4,568	6	.32	6.67
West Virginia	Beaver	....	7	1.55	Shepherdstown	1,184	6.50	.60	6.64
Wisconsin	Oconto[1]	5,646	7	1.55	Milwaukee	285,315	5.50	....	6.27
Wyoming	Carbon	634	7.14	.94	Rock Springs	4,363	6.75	[3].16	6.98

[1] One or more other towns in State report the same price.

[2] Possibly a wholesale dealer, as he reports receiving a rebate.

[3] Loss.

TABLE C.—*Summary of statistics as to prices of Royal Baking Powder, by States.*

State.	Number of replies.	Highest wholesale price in State (freight considered).			Lowest wholesale price in State (freight considered).			Average wholesale price including freight.
		Town.	Population, 1900.	Price per pound.	Town.	Population, 1900.	Price per pound.	
				Cents.			*Cents.*	*Cents.*
Alabama	10	Ozark	1,570	43.50	Anniston	9,695	38.75	41.21
Arkansas	16	Mammoth Springs	717	42.50	Hot Springs[1]	9,973	39.59	40.46
California	31	San Francisco[1]	342,782	41.25	Alameda[1]	16,464	40	40.78
Colorado	5	La Junta	2,513	[2]43	Fort Collins	3,054	40	41.08
Connecticut	18	Stratford[1]	3,657	40	South Manchester[1]	....	[3]35	38.88
Delaware	2	Wilmington	76,508	40	Delaware City	1,132	[4]38.75	39.42
Florida	6	Miami	1,681	41	Milton	1,204	[5]40.41	39.87
Georgia	10	Newnan	3,654	[6]41.75	Cuthbert	2,641	38.75	40.27
Idaho	2	Caldwell	997	[7]42	Moscow	2,484	40	41.55
Illinois	68	Mount Carroll[8]	1,965	42	Chicago	1,698,575	37	39.54
Indiana	50	Angola	2,141	42	Crawfordsville	6,649	37	39.59
Iowa	44	Iowa City	7,987	41.75	Davenport	35,254	38	40.54
Kansas	36	Herington	1,607	[9]43	Emporia	8,223	38.75	40.49
Kentucky	24	Eminence	1,018	[10]41	Scottsville	824	[11]35	39.09
Louisiana	4	White Castle	1,850	44	Lake Providence	1,256	40	41
Maine	17	Yarmouth	2,274	[12]42	Thomaston[1]	2,688	38	39.52
Maryland	9	Frederick[1]	9,296	40	Ellicott City	1,331	37.50	39.16
Massachusetts	86	Worcester[8]	118,421	39.58	Medford[8]	18,244	35	38.59
Michigan	53	Midland	2,363	42	Detroit	285,704	37	39.73
Minnesota	33	Grand Rapids	1,428	[13]43	Duluth	52,969	38	40
Mississippi	8	Iuka	7,816	41.66	Bay St. Louis[1]	2,872	[14]39.58	40.55
Missouri	39	Ashgrove	1,039	41.75	Aurora[1]	6,191	37.50	39.55
Montana	3	Virginia City	568	42	Butte	30,470	40.66	40.89
Nebraska	21	Lincoln	40,169	44	Omaha	102,555	39	40.67
Nevada	2	Virginia City	2,695	40.50	Virginia City	2,695	40.50	42.15
New Hampshire	18	Belmont	1,294	42	Laconia[1]	8,042	37	39.13
New Jersey	41	South River	2,792	[15]43	Orange	24,141	[16]36	39.17
New York	112	Binghamton[1]	39,647	[17]42	Clayton	1,913	[18]36.66	39.11
North Carolina	6	Salem	3,642	42	Newbern	9,090	[19]38.33	39.80
North Dakota	8	Bismarck[1]	3,319	[20]41	Fargo	9,589	40	41.10
Ohio	63	Mount Gilead	1,528	[21]44	Carrollton	1,271	[22]37	39.96
Oregon	9	Grants Pass[1]	2,290	42	Forest Grove	1,096	[23]38.50	43.37
Pennsylvania	91	Mercer	1,804	44	Washington	7,670	[24]33	42.15
Rhode Island	8	Prudence	....	40.50	Central Falls	18,167	39	41.88
South Carolina	9	Rock Hill[1]	5,485	42	Columbia	21,108	38.50	45.31

South Dakota	3	Sioux Falls	10,266	41	Sioux Falls	10,266	40	40.63
Tennessee	14	McMinnville	1,980	48	Knoxville[1]	32,637	38	40.78
Texas	21	Hearne	2,129	[25] 45	McGregor	1,435	[26] 33.33	39.93
Utah	9	Pleasant Grove	2,460	[27] 50	Mount Pleasant	2,372	[28] 41	46.44
Vermont	15	Stowe[1]	500	[29] 40	Montpelier	6,266	36.66	38.88
Virginia	7	Leesburg	1,513	[30] 40.83	Fredericksburg[1]	5,068	38.75	39.25
Washington	12	Montesano	1,194	[31] 46.16	Tacoma	37,714	40	42.20
West Virginia	5	Shepherdstown	1,184	[32] 44	Wellsburg	2,588	[33] 40	39.28
Wisconsin	31	Elkhorn	1,731	45	Chilton	1,460	[34] 37	38.54
Wyoming	5	Carbon	634	42.66	Laramie	8,207	42	39.64

1 One or more other towns in State report the same price.
2 From Pueblo jobber; add freight, 27 cents per hundredweight.
3 Bought from Hartford jobber—apparently a cut price.
4 From Philadelphia jobber; add low freight.
5 From Pensacola jobber; add low water freight. Most dealers buy in New York.
6 From Atlanta jobber; add freight, 13 cents per hundredweight.
7 From Portland, Oreg.: add freight, $1.10 per hundredweight.
8 Another dealer in the same city reports a price of 35 cents.
9 From Topeka jobber; add freight, 17 cents per hundredweighi.
10 Bought of Lexington jobber; add freight, 18 cents per hundredweight.
11 From Louisville jobber; add freight, 52 cents per hundredweight.
12 From Portland jobbers; add freight, 1 cent per can.
13 Duluth jobbers' price; add freight, 36 cents per hundredweight.
14 New Orleans price; add freight, 5 cents per dozen.
15 Bought from New York jobber; add freight, 6 cents per hundredweight.
16 In lots of 4 or 5 barrels, direct from company.
17 Direct from manufacturer, New York.
18 Price at Watertown, N. Y.; freight 15 cents per hundredweight.
19 Possibly not delivered; buys from New York.
20 Bought of Fargo jobber; add freight, 47 cents per hundredweight.
21 Cleveland jobbers' price; add freight. Possibly an error.
22 Cleveland jobber; add freight, 23 cents per hundredweight.
23 Portland price; add freight, 16 cents per hundredweight.
24 Possibly a 12-ounce can.
25 Reported price of St. Louis jobber; freight to be added.
26 From Waco jobber; add freight, 20 cents per hundredweight.
27 From Provo City, Utah.
28 Freight apparently to be added.
29 Burlington price; freight, 20 cents per hundredweight.
30 From Alexandria jobber; add freight, 22 cents per hundredweight.
31 From Tacoma jobber; add freight, 20 cents per hundredweight.
32 From Baltimore; add freight, 33 cents per hundredweight.
33 From Wheeling jobber; add freight, $7\frac{1}{2}$ cents per hundredweight.
34 From Green Bay jobber; add 22 cents per hundredweight.

TABLE C.—*Summary of statistics as to prices of Royal Baking Powder, by States*—Continued.

State.	Highest retail price in State.				Lowest retail price in State.				Average retail price.
	Town.	Population, 1900.	Price.	Excess above wholesale price—freight deducted.	Town.	Population, 1900.	Price.	Excess above wholesale price—freight deducted.	
			Cents.	*Cents.*			*Cents.*	*Cents.*	*Cents.*
Alabama[1]	Anniston	9,695	50	11.25	Florence	6,478	50	4.50	50
Arkansas	Bentonville[2]	1,843	50	10	Hot Springs[2]	9,973	45	8	48.54
California	Colusa	1,441	55	13.2	Alameda[2]	16,464	45	5	48.71
Colorado	Greeley[2]	3,023	50	8.88	Denver	133,859	45	4	48.60
Connecticut	Southport[2]	....	50	11.25	South Manchester	....	40	5	45.22
Delaware	Delaware City	1,132	50	11.25	Wilmington	76,508	45	5	47.50
Florida	Milton[2]	1,204	50	9.58	Gainesville	3,633	45	4.11	46.12
Georgia	Augusta[2]	39,441	50	9.58	Columbus	17,614	45	5.52	49.50
Idaho	Moscow	2,484	60	20	Caldwell	997	50	6.9	55
Illinois	Amboy[2]	1,826	50	10	Bunkerhill[2]	1,279	40	1.05	47.34
Indiana	Albion[2]	1,324	50	9.38	Alexandria[2]	7,221	45	6.15	46.78
Iowa	Bellevue	1,607	[3]75	28	Muscatine	14,073	[4]40	1	48.82
Kansas	Neodesha	1,772	55	15	Atchison[2]	15,722	45	5	47.72
Kentucky	Berea[2]	762	50	10	Augusta	1,718	45	5.34	48.48
Louisiana	Lake Providence	1,256	55	15	New Orleans	287,104	45	5	50
Maine	Clinton[2]	448	50	9.74	Bangor[2]	21,850	45	5	46.56
Maryland	Annapolis[2]	8,402	50	10.75	Cumberland[2]	17,128	45	5.98	48.75
Massachusetts	Dalton[2]	3,014	50	10	Amherst[2]	5,028	42	3	43.65
Michigan	Adrian[2]	9,654	50	10	Ann Arbor[2]	14,509	45	5.41	47.92
Minnesota	Chatfield[2]	1,426	50	12	Caledonia[2]	1,179	45	4.21	49.31
Mississippi[1]	Bay St. Louis	2,872	50	10.20	Iuka	7,816	50	8.34	50
Missouri	Ashgrove[2]	1,039	50	8.25	Butler[2]	3,158	45	4.27	48.21
Montana[1]	Butte	30,470	50	9.33	Virginia City	568	50	8	50
Nebraska	Alliance[2]	2,535	50	8	Lincoln[2]	40,169	45	5	47.62
Nevada	Virginia City	2,693	50	8.23	Carson	2,100	[5]40	7.48	45
New Hampshire	Belmont[2]	1,294	50	8	Claremont[2]	6,498	45	3.80	46.11
New Jersey	Belvidere[2]	902	50	11.25	Orange	24,141	42	6	45.61
New York	Allegany[2]	3,692	50	12.75	Athens[2]	2,171	40	3.25	46.84
North Carolina	Raleigh[2]	13,643	50	10	Newbern	9,090	45	6.67	47.50
North Dakota	Cooperstown	648	60	19.54	Bismarck[2]	3,319	50	8.53	50
Ohio	Londonville[2]	1,581	50	9.93	Akron	42,728	43	3	47.15
Oregon[1]	Astoria	8,381	50	10.12	Junction City	506	50	7.67	50

Pennsylvania	Bernice		60	22.50	Emlenton[2]	1,190	40	.59	47.87
Rhode Island	Central Falls[2]	18,167	45	6	Prudence		43	2.50	44.75
South Carolina[1]	Beaufort	4,110	50	11.52	Pelzer		50	8	50
South Dakota[1]	Sioux Falls	10,266	50	10	Yankton	4,125	50	9.08	50
Tennessee	McMinnville	1,980	55	7	Knoxville[2]	32,637	45	7	48.93
Texas	Kearne[2]	2,129	50	5	Fort Worth	26,688	40	4.50	48.50
Utah	Pleasantgrove[2]	2,460	60	9.90	Kaysville[2]	1,708	50	6.52	51.85
Vermont	Bradford[2]	614	50	9.79	Montpelier	6,266	45	8.33	46.43
Virginia	Fredericksburg[2]	5,068	50	11.25	Richmond	85,050	45	6.25	49.37
Washington	Montesano[2]	1,194	50	3.64	Ballard[2]	4,568	45	4.97	48.75
West Virginia	Shepherdstown[2]	1,184	50	5.66	Wellsburg	2,588	45	4.93	49
Wisconsin	Chilton[2]	1,460	50	12.78	Milwaukee	285,315	42	2.60	48.13
Wyoming	Carbon	634	60	17.33	Laramie[2]	8,207	50	8	50

[1] Price same in all towns of State. Points where excess above wholesale are highest and lowest are given.
[2] Same price reported from one or more other towns in State.
[3] Possibly an error.
[4] Probably wholesale price.
[5] 12-ounce box.

TABLE D.—*Summary of statistics and prices of salt (common farm), by States.*

State.	Number of replies.	Highest wholesale price in State.			Lowest wholesale price in State.			Average wholesale price plus freight per cwt.
		Town.	Population.	Price per cwt.	Town.	Population.	Price per cwt.	
Alabama	11	Hamilton	235	$0.675	Montgomery	30,346	$0.420	$0.527
Arkansas	31	Hot Springs	9,973	.732	Bentonville	1,843	.420	.604
California	26	Jamestown		[1] .600	Los Angeles	102,479	.450	.650
Colorado	9	Greeley	3,023	[2] .650	Las Animas	1,192	.536	.696
Connecticut	11	Stafford Springs	2,460	[3] .640	Sharon	1,982	.464	.760
Delaware	4	Delaware City	1,132	[4] .525	Frederica	706	[5 6] .450	.537
Florida	5	Port Tampa	1,367	[7] .900	St. Augustine	4,272	[8] .500	.662
Georgia	18	Americus	7,674	[6 9] .650	Brunswick	9,081	.500	.612
Idaho	4	Genesee	731	1.300	Caldwell	997	.800	1.090
Illinois	68	Wilmette	2,300	[6] .571	Morrison	2,308	.393	.516
Indiana	55	East Chicago	3,411	.625	Lawrenceburg	1,942	[10] .339	.501
Iowa	45	Carroll	2,882	[6] .625	Oskaloosa	9,212	[10] .393	.553
Kansas	38	Minneapolis	1,727	.589	Kingman	1,785	.400	.486
Kentucky	27	Shelbyville	3,016	[6] .660	Owensboro	13,189	[6] .446	.563
Louisiana	9	Mansfield	847	.520	Lake Providence	1,256	[6] .325	.429
Maine	25	Kennebunk	3,228	[3] .657	Biddeford	16,145	.340	.571
Maryland	12	Hagerstown	13,591	.507	Frederick	9,296	.464	.523
Massachusetts	54	Winchester	7,248	[3] .678	Lawrence	62,559	.400	.543
Michigan	48	Hartford	1,077	[11] .536	Detroit	285,704	[12] .321	.458
Minnesota	48	Moorhead	3,730	.714	Virginia	2,962	.428	.538
Mississippi	16	Ripley	653	.660	Vicksburg	14,834	[10] .345	.521
Missouri	52	Richmond	3,478	.625	St. Joseph	102,979	[6] .468	.580
Montana	14	Anaconda	9,453	.875	Butte	30,470	.600	.924
Nebraska	31	Alliance	2,535	.803	Falls City	3,022	[6] .539	.614
Nevada	1	Virginia City	2,695	.650	Virginia City	2,695	.650	.500
New Hampshire	17	Belmont	1,294	[3 6] .643	Keene	9,165	.417	.619
New Jersey	22	Keyport	3,413	[3] .804	Hoboken	59,364	.321	.524
New York	85	Herkimer	5,555	.625	Brewster	1,192	[10] .286	.441
North Carolina	16	Lenoir	1,296	.680	Raleigh	13,643	.446	.593
North Dakota	12	Bismarck	3,319	[6] .804	Wahpeton	2,228	.55	.669
Ohio	69	Springfield	38,253	[6] .500	Monroeville	1,211	[10] .328	.458
Oregon	9	Woodburn	828	.850	Grants Pass	2,290	[10] .300	.671
Pennsylvania	57	Christiana	828	.557	Allegheny	129,896	[10 13] .357	.456
Rhode Island	5	Prudence		[3] .806	Centerville		.600	.686
South Carolina	13	Rockhill	5,485	.670	Beaufort	4,110	[9] .425	.574

South Dakota	7	Deadwood	3,498	.910	Eureka	961	[6] .571	.685
Tennessee	18	McMinnville	1,980	.638	Dyersburg	3,647	.447	.526
Texas	49	Ennis	4,919	[6] .714	Midland		.405	.580
Utah	7	Park City	3,759	[14] .750	Pleasant Grove	2,460	[15] .500	.721
Vermont	15	Bradford	614	.650	Stowe	500	.400	.497
Virginia	8	Danville	16,520	.550	Hampton	3,441	[16] .394	.426
Washington	14	Cheney	781	[17] 1.120	Ballard	4,568	[18] .425	.832
West Virginia	1	Weston	2,560	.692	Weston	2,560	.692	.692
Wisconsin	35	Horicon	1,376	[6] .536	Marinette	16,195	.357	.478
Wyoming	5	Sheridan	1,559	[6] .750	Cheyenne	14,087	.536	.660

[1] San Francisco price; add freight, 34 cents.
[2] Denver price; add freight, 23 cents.
[3] Grades in these Eastern States are quite doubtful; many dealers report only dairy salt, and probably a few who report only farm salt refer actually to dairy salt.
[4] Philadelphia price; add freight, .075.
[5] Philadelphia price; add freight, 5 cents.
[6] One or more other towns in State report the same price.
[7] Tampa price; add freight, 5 cents.
[8] Jacksonville price; add freight, 10 cents.
[9] Possibly freight to be added.
[10] Possibly an earlier purchase—prices had rapidly increased during 1900-1901.
[11] Possibly a freight rate is to be added, 12 cents cwt.
[12] Three other Detroit dealers report .393.
[13] Another dealer reports .482.
[14] Apparently 17 cents freight to be added.
[15] Salt Lake price; add freight, 7 cents.
[16] Norfolk price; add freight, 6 cents.
[17] Spokane price; add freight, 10 cents.
[18] Add freight, 3 cents.

TABLE D.—*Summary of statistics and prices of salt (common farm), by States*—Continued.

State.	Highest retail price in State.			Excess above wholesale price, freight deducted, per cwt.	Lowest retail price in State.			Excess above wholesale price, freight deducted, per cwt.	Average retail price per cwt.
	Town.	Population.	Price per cwt.		Town.	Population.	Price per cwt.		
Alabama	Bessemer	6,358	$1.00	$0.40	Huntsville	8,068	$0.466	$0.033	$0.663
Arkansas	Benton	898	1.00	.329	Bentonville	1,843	.482	.062	.735
California	Pleasanton	1,100	1.30	.41	San Diego	17,700	.600	.10	.864
Colorado	Buenavista	1,006	1.25	.365	Las Animas	1,192	.607	.071	.900
Connecticut	Stafford Springs	2,460	.90	.36	Danbury	16,537	[2] .714	.089	1.027
Delaware	Delaware City	1,132	.675	.075	Georgetown	1,658	[2] .55	.10	.593
Florida	Port Tampa	1,367	1.50	.55	St. Augustine	4,272	.625	.025	.878
Georgia	Ocilla	805	1.00	.35	Brunswick	9,081	.60	.10	.717
Idaho	Genesee	731	1.30	.20	Caldwell	997	.90	.10	1.300
Illinois	Galesburg	18,607	.679	(1)	Morrison	2,308	.429	.039	.482
Indiana	East Chicago	3,411	.750	.075	Lawrenceburg	4,326	.410	.071	.539
Iowa	Carroll	2,882	.714	.089	Oskaloosa	9,212	.446	.053	.595
Kansas	Goodland	1,059	.750	.416	McPherson	2,996	[2] .482	.036	.543
Kentucky	Somerset	3,384	1.00	.34	Owensboro	13,189	.50	.054	.620
Louisiana	Mansfield	847	.65	.13	Amite	1,547	.446	.089	.502
Maine	Albion	878	.893	.374	Biddeford	16,145	.428	.088	.725
Maryland	Ellicott City	1,331	.625	.065	Frederick	9,296	.536	.072	.595
Massachusetts	Edgartown	1,209	1.03	.417	Plymouth	113,985	.50	.09	.645
Michigan	Crystal Falls	3,231	.928	(1)	Saginaw	42,345	.411	.054	.518
Minnesota	Moorhead	3,730	.803	.089	Winona	19,714	.482	.036	.577
Mississippi	Bay St. Louis	2,872	[2] .750	.308	Shuqualak	600	.393	.014	.616
Missouri	Jefferson City	9,664	.750	(1)	Springfield	23,267	.518	.018	.592
Montana	Livingston	2,778	1.340	.09	Deerlodge	1,324	.825	.15	1.025
Nebraska	Crawford	731	.893	.107	Dorchester	521	[2] .625	(1)	1.00
Nevada	Virginia City	2,695	1.000	.35	Virginia City	2,695	1.000	.35	....
New Hampshire	Bartlett	1,013	[2] .857	.116	Keene	9,165	.50	.083	.765
New Jersey	Leonardo	....	1.25	.499	Garfield	3,504	.446	.071	.709
New York	Gloversville[2]	18,349	[3] 1.00	.554	Dunkirk	11,616	.410	.053	.576
North Carolina	Lenoir	1,296	.80	.12	Raleigh	13,643	[2] .500	.054	.619
North Dakota	Mandan	1,658	.982	.178	Fargo	9,589	[2] .714	.125	.802

Ohio	New Straitsville	2,302	[2] .625	(1)	Mount Gilead	1,528	.425	.019	[5] .514
Oregon	The Dalles	3,542	[4] 1.30	.89	Oregon City	3,494	.375	.075	.887
Pennsylvania	Mercer	1,804	[4] 1.00	.50	Allegheny	129,896	[2] .446	.089	.550
Rhode Island	Valley Falls	....	[4] 1.14	.465	North Tiverton	2,977	.714	.108	.903
South Carolina	Spartanburg	11,395	.75	.10	Beaufort	4,110	.550	(1)	.665
South Dakota	Spearfish	1,166	1.00	.143	Sioux Falls	10,266	.643	.068	.780
Tennessee	Alexandria	....	.893	.349	Columbia	6,052	.468	.036	.602
Texas	Lando	....	1.00	.45	Midland	....	.450	.045	.659
Utah	Park City	3,759	1.00	(1)	Smithfield	1,494	.650	(1)	.793
Vermont	Bellows Falls	4,337	.943	.40	Stowe	500	.50	.10	.656
Virginia	Lynchburg	18,891	1.00	.609	Hampton	3,441	.515	.061	.569
Washington	Davenport	1,000	1.40	.34	Ballard	4,568	.500	.045	.939
West Virginia	Weston	2,560	.736	.044	Weston	2,560	.736	.044	.736
Wisconsin	Horicon	1,376	[3] .571	.035	Chilton	1,460	[2] .428	.046	....
Wyoming	Laramie	8,207	[2] .900	.15	Carbon	634	.650	.105	....

[1] Freight uncertain. [2] One or more other towns in State report the same price. [3] Small quantities.
[4] Probably in small quantities [5] Freight uncertain; perhaps excess is 10 cents.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated).*

ALABAMA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Anniston	9,695	Delivered		11½	15	3½	Standard Oil Co
Bessemer	6,358	....do		11½	15	3½	Do.
Columbia	1,132	Eufaula, Ala	½	[1] 15	20	4½	Do.
Decatur	3,114	Delivered		11½	15	3½	Do.
Dothan	3,275	....do		13½	20	6½	Do.
Florence	6,478	....do		10½			Do.
Gadsden	4,282	....do		12½	16	3½	Do.
Gate City		....do		12	15	3	Do.
Girard	3,840	Columbus, Ga		12	15	3	Do.
Hamilton	235	Tupelo, Miss.; Memphis, Tenn.	3.12	11	20	5.88	Do.
Huntsville	8,068	Delivered		12			Do.
Livingston	851	....do		[2] 16	25	9	Do.
Luverne	731	Montgomery	2.8	[3] 16½	20	3½	Do.
Madison	412	Delivered		12½	15	2½	Do.
Montgomery	30,346	....do		13	15	2	Do.
New Decatur	4,437	Decatur		12½	15	2½	Do.
Oxford	1,372	Delivered		12	15	3	Do.
Ozark	1,570	....do		16	18	2	Do.
Pratt City	3,485	....do		12	15	3	Do.
Successor		....do		11½	15	3½	Do.
Troy	4,097	....do		13½	17	3½	Do.
Tuscaloosa	5,094	....do		10½	15	4½	Do.
York Station	528	Meridian, Miss	1.7	13	18	3 3/10	Do.

ARKANSAS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Benton	898	Delivered		[4] 16	20	4	Waters-Pierce Oil Co.[5]
Bentonville	1,843	....do		14½	16⅔	2⅙	Do.
Berryville	551	Eureka Springs, Ark.	.95	13½	20	5 9/20	Do.
Brinkley	1,648	Delivered		14½	20	5½	Do.
Carlisle	212	....do		13½	17	3½	Do.
Conway	2,003	....do		13	20	7	Do.
Corning	784	....do		14	18	4	Do.
Devall Bluff	605	....do		11	15	4	Do.
Fayetteville	4,061	....do		11	12½	1½	Do.
Fordyce	1,710	....do		12½	15	2½	Do.
Fort Smith	11,587	....do		13	17	4	Do.
Do	11,587	....do		13	20	7	Do.
Greenwood	491	....do		13½	15	1½	Do.
Gurdon	1,045	....do		15	20	5	Globe Oil Co.
Helena	5,550	....do		11	15	4	Waters-Pierce Oil Co.
Hope	1,644	....do		13	20	7	Do.
Hot Springs	9,973	....do		14	18	4	Do.
Do	9,973	....do		15	20	5	Do.
Do	9,973	....do		[5] 16	20	4	Do.
Jonesboro	4,508	....do		14½	18	3½	Standard Oil Co.

[1] Probably includes charge for barrel.
[2] Higher grade, 175 degrees.
[3] Probably a higher grade, or includes charge for barrel, being shipped from Montgomery.
[4] Eupion oil, a somewhat higher grade than Brilliant, the grade of the Waters-Pierce Company given in table. Brilliant is reported by some dealers to test about 110 degrees, and Eupion about 150 degrees.
[5] This company is controlled by the Standard Oil Company.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

ARKANSAS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Little Rock	38,307	Delivered		11½	14	2½	Waters-Pierce Oil Co.
Do	38,307	....do		11½	15	3½	Do.
Lonoke	951	....do		15	15		Do.
Malvern	1,582	....do		14	17½	3½	Do.
Marianna	1,707	....do		12			Do.
Mammoth Spring	717	....do		13	15	2	Do.
Nashville	928	....do		13½	20	6½	Standard Oil Co.
Paragould	3,324	....do		11½	15	3½	Waters-Pierce Oil Co.
Prescott	2,005	....do		12	20	8	Do.
Siloam Springs	1,708	....do		14½			Do.
Springdale	1,251	....do		14½	20	5½	Do.
Texarkana	4,914	....do		14	20	6	Do.
Warren	954	Monticello	1.06	12½	20	6.44	Do.

CALIFORNIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Alameda	16,464	Delivered		13	16	3	Standard Oil Co.
Bakersfield	4,836	....do		20	25	5	Do.
Do	4,836	....do		20	25	5	Do.
Chico	2,640	....do		14½	18	3½	Do.
Colusa	1,441	Sacramento	2	13	18	3	Do.
Coronado	935	Delivered		13	15	2	Do.
Eureka	7,327	San Francisco	.8	13½	25	10.7	Do.
Do	7,327	....do		13½	20	5.625	Do.
Ferndale	846	....do	1.4	13	20	5.6	Do.
Fresno	12,470	Delivered		16½	19	2½	Do.
Grass Valley	4,719	....do		16½	25	8½	Do.
Jamestown		San Francisco	2.2	13	20	4.8	Do.
Loren		Delivered					Do.
Los Angeles	102,479	....do		13	15	2	Do.
Do	102,479	....do		13	15	2	Do.
Marysville	3,497	....do		13	15	2	Do.
Mendocino City		San Francisco	1.1	20	25	3.9	Do.
National City	1,086	Delivered		13	15	2	Do.
Oakland	66,960	....do		12½	15	2½	Do.
Oroville	554	Marysville	.95	13	17	3.05	Do.
Pacific Grove	1,411	San Francisco	1.25	13	17	2.75	Do.
Pasadena	9,117	Delivered		13½	18	4½	Do.
Do	9,117	....do		13½	15	1½	Do.
Placerville	1,748	Sacramento	2.3	13	20	4.7	Do.
Pleasanton	1,100	San Francisco	1	13	16	2	Do.
Sacramento	29,282	Delivered		13	20	7	Do.
Do	29,282	....do		13	16	3	Do.
San Jose	21,500	....do		13	20	7	Do.
San Rafael	3,878	San Francisco		13	15	2	Do.
San Diego	17,700	Delivered		13	15	2	Do.
San Francisco	342,782	....do		19	[1] 22	3	Do.
Do	342,782	....do		13			Do.
Santa Cruz	5,659	....do		14½	20	5½	Do.
Santa Rosa	6,673	....do		14	20	6	Do.
Stockton	17,506	....do		13½	20	6½	Do.
Vallejo	7,965	....do		13½	18	4½	Do.
Ventura	2,470	....do		15½	17	1½	Do.
Visalia	3,085	....do		17	20	3	Do.
Woodland	2,886	....do		14	16	2	Do.

[1] Probably higher grade.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

COLORADO.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Boulder	6,150	Delivered		19	25	6	Continental Oil Co.[1]
Buenavista	1,006	do		20	25	5	Do.
Central City	3,114	do		20	23	3	Do.
Denver	133,859	do		16	18	2	Do.
Fort Collins	3,054	do		16	20	4	Do.
Golden	2,152	do		15	20	5	Do.
Greeley	3,023	do		16	20	4	Do.
Lajunta	2,513	do		15	20	5	Do.
Las Animas	1,192	Lajunta	1⅕	15	20	3⅘	Do.

CONNECTICUT.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Bristol	6,268	Delivered		9¼	12	2¾	Standard Oil Co.
Bridgeport	70,996	do		9¼	12	2¾	Do.
Brooklyn	2,358	do		9	12	3	Do.
Danbury	16,537	do		9½	12	2½	Do.
Greenwich	2,420	do		9	12	3	Do.
Meriden	24,296	do		9¼	12	2¾	Do.
Do.	24,296	do		7¼	13	5¾	Do.
Milford	3,783	do		9½	12	2½	Do.
Mystic		do		8	12	4	Do.
New Britain	25,998	do		9¼	11	1¾	Do.
Do.	25,998	do		9¼	12	2¾	Do.
North Grosvenor Dale.		do		9	11	2	Do.
Norwich	17,251	do		8¼	12	3¾	Do.
Seymour	3,541	do		9¼	12	2¾	Do.
Sharon	1,982	do		10	14	4	Do.
SouthManchester		Hartford	0.64	[2] 13	17	3.36	Do.
Southport		New York		11	13	2	Do.
Stafford Springs	2,460	Delivered		9½	12	2½	Do.
Stamford	15,997	do		9¼	12	2¾	Do.
Stonington	2,278	do		9¼	12	2¾	Do.
Stratford	3,657	do		9¼	11	1¾	Do.
Taftville		do		8¼	10	1¾	Do.
Waterbury	45,859	do		10¼	13	2¾	Do.

DELAWARE.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Camden	536	Delivered		9½	12	2½	Atlantic Ref. Co.[1]
Delaware City	1,132	do		9½	12	2½	Standard Oil Co.
Frederica	706	do		8½	12	3½	Do.
Georgetown	1,658	do		10	12	2	Do.
Lewes	2,259	do		9½	12	2½	Do.
Wilmington	76,508	do		8	12	4	Atlantic Ref. Co.

FLORIDA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Gainesville	3,633	Delivered		13	15	2	Standard Oil Co.
Lake City	4,013	do		14	16	2	Do.
Miami	1,681	do		15½	17	1½	Do.
Milton	1,204	do		11	15	4	Do.
Monticello	1,076	do		14	18	4	Do.
Palatka	3,301	Delivered		12½	14	1½	Do.
Pensacola	17,747	do		10½	11½	1	Do.
Port Tampa City	1,367	do		14	17	3	Do.
St. Augustine	4,272	do		[3] 15¾	18	2¼	Do.

[1] This company is controlled by the Standard Oil Co.
[2] This is Pratt's astral oil, a higher grade.
[3] Possibly a higher grade.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

GEORGIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Americus	7,674	Delivered		11½	15	3½	Standard Oil Co.
Augusta	39,441	do		11	15	4	Do.
Barnesville	3,036	do		13	18	5	Do.
Brunswick	9,081	do		12	15	3	Do.
Columbus	17,614	do		11½	15	3½	Do.
Conyers	1,605	Atlanta, Ga	1.36	15	17	.64	Do.
Cuthbert	2,641	Delivered		15½	20	4½	Do.
Dublin	2,987	do		13½	18	4½	Do.
Eastman	1,235	do		16	20	4	Do.
Fitzgerald	1,817	do		12½	15	2½	Do.
Hartwell	1,672	do		15	20	5	Do.
Macon	23,272	do		11½	15	3½	Do.
Madison	1,992	do		13	20	7	Do.
Milledgeville	4,219	do		12	15	3	Do.
Newnan	3,654	do		12½	20	7½	Do.
Sparta	1,150	do		15	20	5	Do.
Thomasville	5,322	do		14	16	2	Do.
Tifton		do		15	20	5	Do.
Woodbury	566	Atlanta, Ga	2½	14	20	3½	Do.
Waresboro	269	Delivered		14¾	20	5¼	Do.
Waynesboro	2,030	do		12	20	8	Do.

IDAHO.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Caldwell	997	Delivered		25½	30	4½	Standard Oil Co.
Coeur d'Alene	508	Spokane, Wash	1	20	30	9	Do.
Genesee	731	Delivered		22	25	3	Do.
Idaho City	390	Boise	[1]6	26	40	[illegible]	Do.
Idaho Falls	1,262	Delivered		23	30	7	Continental Oil Co.[2]
Moscow	2,484	do		21	25	4	Standard Oil Co.
Salmon City	398	Chicago, Ill	[1]15¼	12½	37½	9¾	Do.
Wardner	2,278	Delivered		22½	35	12½	Do.

ILLINOIS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Amboy	1,826	Delivered		9	13	4	Standard Oil Co.
Ashland	1,201	do		10	15	5	Do.
Astoria	1,684	do		9	15	6	Do.
Barrington	1,162	do		6	8	2	Do.
Belleville	17,484	do		9	12	3	Waters-Pierce Oil Co.[2]
Bement	1,484	do		8½	12	3½	Standard Oil Co.
Bloomington	23,286	do		8½	15	6½	Do.
Braceville	1,669	do		8½	12½	4	Do.
Bunkerhill	1,279	do		9	12	3	Do.
Cairo	12,566	do		8½	12½	4	Do.
Do	12,566	do		9	12	3	Do.
Canton	5,664	do		9½	12	2½	Do.
Carmi	2,939	do		9	12	3	Do.
Carrollton	2,355	do		9½	12½	3	Do.
Centralia	6,721	do		9	12½	3½	Do.
Chatsworth	1,038	do		8½	13	4½	Do.
Chenoa	1,512	do		8½	13	4½	Do.
Chicago	1,698,575	do		[3]10	12	2	Do.
Do	1,698,575	do		6½	9	2½	Do.
Do	1,698,575	do		6½	10	3½	Do.

[1] Not on railroad. [2] This company is controlled by the Standard Oil Co. [3] Higher grade.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

ILLINOIS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Chicago	1,698,575	Delivered		6½	9	3½	Standard Oil Co.
Do	1,698,575	do		6	7	1	Do.
Do	1,698,575	do		6½	10	3½	Do.
Do	1,698,575	do		6½	10	3½	Do.
Do	1,698,575	do		6½	8	1½	Do.
Chillicothe	1,699	do		8½	12	3½	Do.
Columbia	1,197	do		9½	12½	3	Do.
Danville	16,354	do		8½	10	1½	Do.
Delavan	1,304	do		8½	12	3½	Do.
Duquoin	4,353	do		9	12½	3½	Do.
Earlville	1,122	Chicago, Ill	1⅛	7½	10	1⅞	Do.
Edwardsville	4,157	Delivered		9	12½	3½	Do.
Effingham	3,774	do		9½	13	3½	Do.
Eureka	1,661	do		8½	12	3½	Do.
Forreston	1,047	do		10	12	2	Do.
Galesburg	18,607	do		8½	12	3½	Do.
Geneva	2,446	do		7	10	3	Do.
Golconda	1,140	Evansville, Ind	½	10	15	4½	Do.
Grayville	1,948	do	0.95	9	15	5.05	Do.
Greenfield	1,085	Delivered		9½	12	2½	Do.
Greenup	1,085	do		9	12	3	Do.
Griggsville	1,404	Jacksonville	1.28	9	10	—.28	Do.
Hillsboro	1,937	Delivered		9½	12½	3	Do.
Hoopeston	3,823	do		8½	10	1½	Do.
Jacksonville	15,078	do		10	12	2	Do.
Jerseyville	3,517	do		9	12	3	Do.
Kewanee	8,382	do		9	12	3	Do.
Kinmundy	1,221	do		9	13	4	Do.
Lacon	1,601	Peoria, Ill	½	8½	13	4	Do.
Lebanon	1,812	Delivered		9	12½	3.5	Do.
Lewistown	2,504	do		9	13	4	Do.
Marine	666	do		9½	12	2.5	Do.
Marion	2,510	do		9	15	6	Do.
Marseilles	2,559	do		8½	13	4.5	Do.
Mattoon	9,622	do		8½	12	3.5	Do.
Monmouth	7,460	do		8½	12½	4	Do.
Mount Carmel	4,311	do		[1]12	15	3	Do.
Milford	1,077	do		8½	13	4.5	Do.
Minonk	2,545	do		8½	12	3.5	Do.
Morrison	2,308	do		9	10	1	Do.
Mount Carroll	1,965	do		9	13	4	Do.
Mound City	2,705	do		9½	13	3.5	Do.
Naperville	1,699	do		6¾	13	6.25	Do.
Nauvoo	1,321	Fort Madison, Iowa.		8½	10	.5	Do.
Onarga	1,270	Delivered		8½	12	3.5	Do.
Oregon	1,577	do		7½	10	2.5	Do.
Ottawa	10,588	do		8	12	4	Do.
Peoria	56,100	do		7½	10	2.5	Do.
Peotone	1,003	do		8½	12	3.5	Do.
Savanna	3,325	do		9	14	5	Do.
Sumner	1,268	do		9	12½	3.5	Do.
Taylorville	4,248	do		9	12½	3.5	Do.
Upper Alton	2,373	do		9	12	3	Do.
Vandalia	2,665	do		9	12½	3.5	Do.
Virden	2,280	do		9	12½	3.5	Do.

[1] Probably a higher grade. Only one reported.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

ILLINOIS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Virginia	1,600	Delivered		8½	12½	4	Standard Oil Co.
Warren	1,327	do		10	12	2	Do.
Warsaw	2,335	Peoria, Ill	0.6	9	13	3.4	Do.
White Hall	2,030	Delivered		9	10	1	Do.
Wilmette	2,300	do		8	10	2	Do.
Woodstock	2,502	do		8	9	1	Do.
Wyoming	1,277	do		9	12	3	Do.
Yorkville	413	do		8	10	2	Do.

INDIANA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Albion	1,324	Delivered		8½	10	1.5	Independent Oil Co.
Alexandria	1,721	Anderson	½	10½	15	4	Standard Oil Co.
Angola	2,141	Delivered		8½	10	1.5	Do.
Attica	3,005	do	Circa 1	8½	12½	3	Do.
Auburn	3,396	do		8¾	11	2.25	Do.
Batesville	1,384	do		8	10	2	Do.
Bedford	6,115	do		9	12	3	Do.
Do	6,115	do		7	10	3	Do.
Bloomfield	1,588	do		8	12	4	Do.
Bourbon	1,187	do		8½	10	1.5	Do.
Brazil	7,786	do		7	12½	5.5	Independent Oil Co.
Brookston	949	do		8½	13	4.5	Standard Oil Co.
Butler	2,063	do		8½	10	1.5	Do.
Cannelton	2,188	do		9	11	2	Do.
Charlestown	915	do		8½	12	3.5	Do.
Columbus	8,130	do		8	10	2	Do.
Connersville	6,836	do		8	10	2	Do.
Crawfordsville	6,649	do		7	8	1	Do.
Crownpoint	2,336	do		8½	10	1.5	Do.
Delphi	2,135	do		8½	14	5.5	Do.
Dublin	698	do		8½	10	1.5	Do.
East Chicago	3,411	do		7	10	3	Do.
Edinburg	1,820	do		8	10	2	Do.
Elwood	12,950	do		8½	12	3.5	Do.
Elkhart	15,184	do		8½	12	3.5	Do.
Fort Wayne	45,115	do		7½	10	2.5	Do.
Do	45,115	do		7½	10	2.5	Do.
Do	45,115	do		7½	12	4.5	Do.
Greenfield	4,489	do		6	10	4	Do.
Hammond	12,376	do		7	10	3	Do.
Do	12,376	do		6½	10	3.5	Do.
Hartford City	5,912	do		8¼	12	3.75	Do.
Huntington	9,491	do		8½	12	3.50	Do.
Indianapolis	169,164	do		5½	10	4.5	Scofield, S. & T.
Do	169,164	do		5½	10	4.5	Standard Oil Co.
Do	169,164	do		[1]8½	10	1.5	Do.
Jeffersonville	10,774	do		6½	9	2.5	Do.
Knightstown	1,942	do		6½	10	3.5	Do.
Lawrenceburg	4,326	do		8½	10	1.5	Do.
Madison	7,835	do		8	10	2	Do.
Michigan City	1,485	do		8½	12½	4	Do.
Monticello	2,107	do		8½	15	6.5	Do.
Mount Vernon	5,132	do		9	12	3	Do.
Nappanee	2,208	do		8½	10	1.5	Do.
Oakland City	1,991	do		9	12	3	Do.

[1] Probably a higher grade.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

INDIANA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Orleans	1,236	Delivered		9	15	6	Standard Oil Co.
Plymouth	3,656	do		8½	10	1.5	Do.
Richmond	18,226	do		7	10	3	Do.
Do	18,226	do		8	12	4	Do.
Rockport	2,882	do		9	15	6	Do.
Seymour	6,445	do		8	10	2	Do.
South Bend	35,999	do		8½	12	3.5	Do.
Sullivan	3,118	do		8½	12	3.5	Do.
Terre Haute	36,673	do		7	10	3	Do.
Tipton	3,764	Indianapolis	1.12	[1] 10½	20	8.38	Do.
Valparaiso	6,280	Delivered		8½	10	1.5	Do.
Vincennes	10,249	do		6½	10	3.5	Do.
Do	10,249	do		6½	10	3.5	Do.
Wabash	8,618	do		8½	12½	4	Do.
Winamac	1,684	Logansport	0.44	7½	10	2.06	Do.
Winchester	3,705	Delivered		7½	10	2.5	Do.

IOWA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Atlantic	5,046	Delivered		10	12	2	Standard Oil Co.
Anita	986	Des Moines	1.16	11	14	1.84	Do.
Audubon	1,866	Delivered		10	12	2	Do.
Bellevue	1,607	do		[2] 15	20	5	National Refining Co.
Bloomfield	2,105	Keokuk and Ottumwa.	0.9	9½	15	4.5	Standard Oil Co.
Boone	8,880	Delivered		9½	13	3.5	Do.
Carroll	2,882	do		10	14	4	Do.
Cedar Rapids	25,656	do		8½	12	3.5	Do.
Do	25,656	do		9¾	15	5.25	Do.
Centerville	5,256	do		9	12½	3.50	Do.
Clarinda	3,276	do		11	14	3	Do.
Clinton	22,698	do		9	13	4	Do.
Do	22,698	do		9	13	4	Do.
Cresco	2,806	do		10½	14	3.5	Do.
Davenport	35,254	do		7	10	3	Do.
Decorah	3,246	do		10½	13	2.5	Do.
Denison	2,771	do		10	14	4	Do.
Des Moines	62,139	do		8	10	2	Do.
Do	62,139	do		8½	[2] 15	6.5	Do.
Dubuque	36,297	do		9	12	2	Do.
Eldon	1,850	do		9½	15	5.50	Do.
Elkader	1,321	do		10	15	5	Do.
Fort Madison	9,278	do		9	15	5	Do.
Greenfield	1,300	do		10	13	3	Do.
Griswold	900	Atlantic, Iowa	0.84	10	15	4.16	Do.
Humboldt	1,474	Delivered		10	13	3	Do.
Independence	3,656	do		10	13	3	Do.
Indianola	3,261	do		9½	12	2.5	Do.
Iowa City	7,987	do		10	13	3	Do.
Jefferson	2,601	do		9½	12	2.5	Do.
Knoxville	3,131	do		8½	10	1.50	Do.
Lansing	1,438	do		10½	12	1.50	Do.
Leon	1,905	do		9½	10	.50	Do.
Lyons		do		9	13	4	Do.
Malvern	1,166	do		11	12½	1.50	Do.

[1] Eocene, higher grade.

[2] Probably higher grade.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

IOWA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Manchester	2,887	Delivered		10½	12	1.5	Standard Oil Co.
Mapleton	1,099	do		10	15	5	Do.
Maquoketa	3,777	do		10½	13	2.5	Do.
Muscatine	14,073	do		9½	14	4.5	Do.
Newton	3,682	do		9½	12	2.5	Do.
Oelwein	5,142	do		10	15	5	Do.
Onawa	1,933	do		10½	13	2.5	Do.
Oskaloosa	9,212	do		8	12½	4.5	Do.
Shenandoah	3,573	do		11	14	3	Do.
Sigourney	1,952	Rock Island, Ill	0.8	9½	12½	2.2	Do.
Vinton	3,499	Delivered		10	13	3	Do.
Waukon	2,153	do		9½	13	3.50	Do.

KANSAS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Abilene	3,507	Delivered		12	15	3	Standard Oil Co.
Argentine	5,878	do		8½	11	2.5	Do.
Arkansas City	6,140	do		13	15	[illegible]	Do.
Atchison	15,722	do		9½	15	5.5	Do.
Do	15,722	do		9½	15	5.5	Do.
Augusta	1,197	Wichita, Kans	0.62	11½	15	2.88	National Oil Co.
Belleville	1,833	Delivered		12½	15	2.5	Standard Oil Co.
Burlingame	1,436	do		12½	15	2.5	Do.
Concordia	3,401	do		12½	15	2.5	Do.
Emporia	8,223	do		12½	15	2.5	Do.
Florence	1,178	do		12½	15	2.5	Do.
Fredonia	1,650	do		12½	15	2.5	Do.
Girard	2,473	do		10½	13	2.5	Do.
Goodland	1,059	do		[1] 17	20	3	Do.
Herington	1,607	do		13	15	2	Do.
Holton	3,082	do		10½	15	4.5	Do.
Junction City	4,695	do		12½	15	2.5	Do.
Kingman	1,785	do		13	17	4	Do.
Leavenworth	20,735	do		9½	13	3.5	Do.
Do	20,735	do		9½	11	1.5	Do.
Marion	1,824	do		12½	17	4.5	Do.
McPherson	2,996	do		12½	15	2.5	Do.
Minneapolis	1,727	do		12½	20	7.5	Do.
Neodesha	1,772	do		12	15	3	Do.
Newton	6,208	do		12½	15	2.5	Do.
Osage City	2,792	do		12	15	[illegible]	Do.
Oswego	2,208	do		13	17	4	Do.
Ottawa	6,934	do		11½	14	2.5	Do.
Do	6,934	Kansas City	1.2	11½	14	2.3	Do.
Paola	3,144	do	1.06	10½	13	1.5	Do.
Parsons	7,682	Delivered		11½	13	1.5	Do.
Peabody	1,369	do		12½	16	3.5	Do.
Pittsburg	10,112	do		10½	15	4.5	Do.
Pleasanton	1,097	do		11½	15	3.5	Do.
Sabetha	1,646	do		11	15	[illegible]	Do.
St. Marys	1,390	do		12	15	3	Do.
Topeka	33,608	do		11	15	4	Do.
Do	33,608	do		11	15	4	Do.
Washington	1,575	do		12½	16	3.5	Do.
Wichita	24,671	do		11½	15	3.5	Do.

[1] Probably a higher grade. Also sells "Perfection" oil—no price given—which is known to be a common lower grade.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

KENTUCKY.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Augusta	1,718	Delivered		7½	10	2.5	Standard Oil Co.
Berea	762	do		8½	12	3.5	Do.
Calhoun	631	do		8½	10	1.5	Do.
Campbellsville	1,341	do		8½	10	1.5	Do.
Covington	42,938	do			6½		Do.
Cynthiana	3,257	do		8	10	2	Do.
Danville	4,285	do		9	12	3	Do.
Elizabethtown	1,861	do		8	10	2	Do.
Eminence	1,018	do		10	12	2	Do.
Flemingsburg	1,268	do		9	10	1	Do.
Frankfort	9,487	do		8½	10	1.5	Do.
Greenville	1,051	do		10	15	5	Do.
Henderson	10,272	do		7	9	2	Do.
Hopkinsville	7,280	do		[1] 12	14	2	Do.
London	1,147	do		10½	11	.5	Do.
Louisville	204,731	do		7	10	3	Do.
Do	204,731	do		7	9	2	Do.
Do	204,731	do		7	8	1	Do.
Do	204,731	do		8½	10	1.5	Chas. C. Stoll Oil Co.
Murray	1,822	do		10½	15	4.5	Standard Oil Co.
Morganfield	2,046	do		8½	13	4.5	Do.
Newport	28,301	do		6½	7½	1	Do.
Owensboro	13,189	do		9	12	3	Do.
Paris	4,603	do		8½	11	2.5	Do.
Paducah	19,446	do		7½	9	1.5	Do.
Do	19,446	do		9	12	3	Do.
Scottsville	824	do		11½	15	3.5	Do.
Shelbyville	3,016	do		9½	12	2.5	Do.
Somerset	3,384	do		10	15	5	Do.
Uniontown	1,532	do		8½	15	6.5	Do.

LOUISIANA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Amite	1,547	Delivered		13½	18	4.50	Standard Oil Co.
Houma	3,212	do		12½	15	2.5	Do.
Jennings	1,539	do		13¼	15	1.75	Waters-Pierce Oil Co.[2]
Lake Providence	1,256	Vicksburg	1	10½	15	3.50	Standard Oil Co.
Mandeville	1,029	New Orleans	1.1	9	12	3	Record Oil Co.
Mansfield	847	Delivered		10½	15	4.5	Waters-Pierce Oil Co.
Monroe	5,428			14	16	2	Do.
Thibodaux	3,253	Delivered		12	15	3	Standard Oil Co.
White Castle	1,850	New Orleans	1	11½	15	2.5	Do.

MAINE.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Albion	878	Wiscasset	0.56	10¼	12	1.19	Standard Oil Co.
Alfred	937	Delivered		9½	12	2.50	Do.
Bangor	21,850	do		9½	12	2.50	Do.
Belfast	4,615	do		11	14	3	Do.
Berwick	2,280	do		9¼	11	1.75	Do.
Biddeford	16,145	do		9½	12	2.50	Do.
Bluehill	1,828	Boston	½	9½	14	4	Do.
Bridgton	1,552	Delivered		11	14	3	Do.
Caribou	4,758	do		12¾	15	2.25	Do.
Clinton	448	do		10¼	12	1.75	Do.

[1] May be higher grade; only one reported.
[2] This company is a branch of the Standard Oil Company.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

MAINE—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Eastport	5,311	Delivered			14		Standard Oil Co.
Freeport	759	do		10	13	1.50	Do.
Hallowell	2,714	do		9½	12	2.50	Do.
Houlton	4,686	do		11¾	14	2.25	Do.
Kennebunk	3,228	do		10	13	3	Do.
Lewiston	23,761	do		9¼	12	2.75	Do.
Lubec	3,005	do		10¼	12	1.75	Do.
Machias	2,082	do		9½	13	3.50	Do.
McFalls		Boston	1¾	8½	15	4.75	Leonard & Ellis.[1]
Pittsfield	2,208	Delivered		11¼	14	2.75	Standard Oil Co.
Sanford	6,078	Chelsea	2	8¼	14	3.75	Liberty Oil Co.
South Berwick	3,188	Delivered		9¼	12	2.75	Standard Oil Co.
Thomaston	2,688	do		9½	12	2.50	Do.
Warren	2,069	do		9½	13	3.50	Do.
Waterville	9,477	do		10	12	2	Do.
Winterport	1,623	Boston	0.4	11½	14	2.10	Do.
Winthrop	2,088	Delivered		11	14	3	Do.
Wiscasset	1,273	do		10	12	2	Do.
Woodfords		do		9¾	12	2.25	Do.
Yarmouth	2,274	do		10¼	13	2.75	Do.
York	2,668	Boston	0.6	8½	12	2.90	Jenney Manufacturing Co.

MARYLAND.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Annapolis	8,402	Delivered		9	12	3	Standard Oil Co
Baltimore	508,957	do		7½	9	1.50	Do.
Do	508,957	do		7½	10	2.50	Do.
Cumberland	17,128	do		6½	10	3.50	Atlantic Refining Co.[2]
Ellicott City	1,331	do		7½	10	2.50	Standard Oil Co.
Frederick	9,296	do		8½	10	1.50	Do.
Do	9,296	do		[3]10	12½	2.50	Do.
Hagerstown	13,591	do		8	10	2	Do.
Do	13,591	do		8	12	4	Do.
Lonaconing	2,181	do		8	12	4	Atlantic Refining Co.
Oakland	1,170	do		8½	12	3.50	Standard Oil Co.
Oxford	1,243	do		9½	12	2.50	Do.
Snow Hill	1,596	do		9½	14	4.50	Do.
Taneytown	665	do		8¾	10	1.25	Do.
Upper Marlboro	449	do		9	10	1	Do.
Williamsport	1,472	do		8½	10	1.50	Do.

MASSACHUSETTS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Abington	4,489	Delivered		9¼	12	2.75	Standard Oil Co.
Amherst	5,028	do		8¾	12	3.25	Do.
Andover	6,813	do		9¼	11	1.75	Do.
Athol	7,061	do		8¾	11	2.25	Do.
Attleboro	11,335	do		9¼	11	1.75	Do.
Ayer	2,446	do		9¼	11	1.75	Do.
Barre	2,059	do		8¼	12	3.75	Do.
Beverly	13,884	do		9	11	2	Do.
Billerica	2,775	do		9¼	11	1.75	Do.
Boston	560,892	do		9	12	3	Do.

[1] Probably a wholesale dealer.
[2] This company is controlled by the Standard Oil Company.
[3] Possibly a higher grade; only one reported.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

MASSACHUSETTS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Boston	560,892	Delivered		9	12	3	Standard Oil Co.
Brockton	40,063	do		[1] 10½	13	2.50	Do.
Brookfield	3,062	do		8	10	2	Do.
Cambridge	91,886	do		9	11	2	Do.
Do	91,886	do		9	12	3	Do.
Do	91,886	do		9	11	2	Do.
Do	91,886	do		9	13	4	Do.
Do	91,886	do		9	12	3	Do.
Cambridgeport		do		9	11	2	Do.
Canton	4,584	do		8¾	12	3.25	Do.
Chicopee	19,167	do		8¾	11	2.25	Do.
Dalton	3,014	do		8½	11	2.50	Do.
Danvers	8,542	do		9	11	2	Do.
East Boston		do		9	12	3	Do.
Easthampton	5,603	do		8¾	11	2.26	Do.
East Lexington		do		9¼	12	2.75	Do.
East Weymouth		do		7½	12	4.50	Do.
Edgartown	1,209	New Bedford	½	10½	14	3	Do.
Everett	24,336	Delivered		8½	10	1.50	Do.
Falmouth	3,500	Boston	1.2	10	12	8	Do.
Fitchburg	31,531	Delivered		9½	12	2.50	Do.
Foxboro	3,266	do		9½	11	1.50	Do.
Framingham	11,302	do		9¼	12	2.75	Do.
Georgetown	1,900	do		9¼	12	2.75	Do.
Gloucester	26,121	do		9¼	12	2.75	Do.
Hingham	5,059	do		9¼	13	3.75	Do.
Hudson	5,454	do		9¼	12	2.75	Do.
Hyannis		Boston	1.2	10	14	2.8	Saml. Walker & Co.
Hyde Park	13,244	Delivered		9	11	2	Standard Oil Co.
Ipswich	4,658	do		9¼	12	2.75	Do.
Lancaster	2,478	do		9	12	3	Do.
Lawrence	62,559	do		9¼	11	1.75	Do.
Do	62,559	Boston	0.64	9	12	2.36	Do.
Do	62,569	Delivered		9¼	12	2.75	Do.
Leominister	12,392	Boston	0.62	9	12	2.38	Saml. Walker & Co.
Lowell	94,969	Delivered		9¼	12	2.75	Standard Oil Co
Do	94,969	do		9¼	11	1.75	Do.
Do	94,969	do		9¼	12	2.75	Do
Lynn	68,513	do		9	12	3	Do.
Do	68,513	do		9	12	3	Do.
Malden	33,664	do		9	11	2	Do.
Do	33,664	do		9	11	2	Do.
Manchester	2,522	Boston	0.56	9	12	2.44	Do.
Mansfield	4,006	Delivered		9½	12	2.50	Do.
Marblehead	7,582	do		9	11	2	Do.
Mattapoisett	1,061	do		9¾	13	3.25	Do.
Medfield	2,926	do		9½	13	3.50	Do.
Medford	18,244	do		9	11	2	New England Oil Co.
Melrose	12,962	do		9	12	3	Standard Oil Co.
Methuen	7,512	Boston	½	9¼	13	3.75	Do.
Millbury	4,460	Delivered		9	11	2	Do.
Milford	11,376	Boston	0.56	9¼	11	1.75	Saml. Walker & Co.
Nantucket	3,006	New Bedford	1	9¾	15	4.25	Standard Oil Co.
New Bedford	62,442	Delivered		9½	13	3.50	Do.
Newton	33,587	do		9	13	4	Do.
North Adams	24,200	do		8½	12	3.50	Do.
Northampton	18,643	do		8¾	12	3.25	Do
North Andover	4,243	do		8¾	12	3.25	Do.
Norwood	5,480	Boston	⅖	9	11	1.60	Jenney Mfg. Co.
Orange	5,520	Delivered		8¾	12	3.25	Standard Oil Co.

[1] Probably a higher grade.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

MASSACHUSETTS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Peabody	11,523	Delivered		7¾	11	2	Standard Oil Co.
Pittsfield	21,766	do		8½	11	2.50	Do.
Plymouth	9,592	do		9¾	13	3.25	Do.
Provincetown	4,247	do		10	13	3	Do.
Quincy	23,899	do		9¼	12	2.75	Do.
Do.	23,899	do		9¼	12	2.75	Do.
Salem	35,956	do		9	12	3	Do.
Do.	35,956	do		9	12	3	Do.
Somerville	61,643	do		9	12	3	Do.
Southbridge	10,025	do		9	12	3	Do.
Stoughton	5,442	do		9¼	13	3.75	Do.
Taunton	31,036	do		9¼	12	2.75	Do.
Wakefield	9,290	do		9	10	1	Do.
Ware	8,263	do		7¾	11	3.25	Do.
Watertown	9,706	do		9	11	2	Do.
Webster	8,804	do		9	12	3	Do.
West Springfield	7,105	do		8¾	11	2.25	Babcock Oil Co.
Williamstown	5,013	do		8½	12	3.50	Standard Oil Co.
Winchester	7,248	do		9	12	3	Do.
Winthrop	6,058	do		9	13	4	Do.
Worcester	118,421	do		9	11	2	Do.
Do.	118,421	do		9	12	3	Do.
Do.	118,421	do		9	11	2	Do.
Do.	118,421	do		9	10	1	Do.
			MICHIGAN.				
Adrian	9,654	Delivered		10	12	2	Standard Oil Co.
Albion	4,519	do		7½	10	2.50	Do.
Ann Arbor	14,509	do		7½	10	2.50	Do.
Badaxe	1,241	do		9½	12	2.50	R. A. Pott Oil Co.
Bay City	27,628	do		8	10	2	Do.
Belding	3,282	do		8	12	4	Standard Oil Co.
Benton Harbor	6,562	do		8½	10	1.50	Do.
Big Rapids	4,686	do		8½	10	1.50	Do.
Birmingham	1,170	do		7	9	2	Do.
Cadillac	5,997	do		10	12	2	Do.
Carson City	906	do		7½	10	2.50	R. A. Pott Oil Co.
Cassopolis	1,330	do		8¼	10	1.75	Standard Oil Co.
Cedar Springs	950	do		8	10	2	Do.
Charlevoix	2,079	do		11	13	2	Do.
Charlotte	4,092	do		7½	10	2.50	Do.
Cheboygan	6,489	do		10	12	2	Do.
Chelsea	1,635	do		7	10	3	Do.
Coldwater	6,216	do		8½	12	3.50	Do.
Crystal Falls	3,231	Iron Mountain, Mich.	1¼	12¼	15	1.50	Do.
Detroit	285,704	Delivered		6½	10	3.50	Do.
Do.	285,704	do		6	8	2	Do.
Do.	285,704	do		6	7	1	Do.
Do.	285,704	do		5½	10	4.50	Greenslade Oil Co.
Do.	285,704	do		6	8	2	Scofield, S. & T.
Durand	2,134	do		7½	10	2.50	Standard Oil Co.
Fenton	2,408	do		8	9	1	Do.
Gladstone	3,380	do		9¾	14	4.25	Do.
Grand Haven	4,783	do		8	10	2	Do.
Grand Rapids	87,565	do		6½	10	3.50	Do.
Grayling	1,716	do		10½	13	2.50	Scofield, S. & T.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

MICHIGAN—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Harbor Springs	1,643	Delivered		9½	10	0.50	Standard Oil Co.
Hartford	1,077	do		8½	10	1.50	Do.
Holland	7,790	do		8	10	2	Do.
Holly	1,419	do		8	10	2	Do.
Lakeview	935	do		7½	10	2.50	Do.
Lapeer	3,227	do		8	10	2	Do.
Leslie	1,114	do		7½	10	2.50	Do.
Mancelona	1,226	do		10¾	14	3.25	Do.
Marcellus	1,025	do		8	10	2	Do.
Marine City	3,829	do		8½	10	1.50	Do.
Marquette	10,058	do		9¾	12	2.25	Do.
Marshall	4,370	do		7½	10	2.50	Do.
Menominee	12,818	do		9¾	12	2.25	Do.
Midland	2,363	do		7½	10	2.50	R. A. Pott Oil Co.
Morenci	1,334	Toledo, Ohio	.8	8	11	2.2	Paragon Ref. Co.[1]
Mount Clemens	6,576	Delivered		8¼	10	1.75	Greenslade Oil Co.
Negaunee	6,935	do		9¾	13	3.25	Standard Oil Co.
Niles	4,287	do		8½	10	1.50	Do.
Northville	1,755	do		9½	12	2.50	Do.
Ontonagon	1,267	do		10½	16	5.50	Do.
Oscoda	1,109	Cleveland, Ohio	1.3	9	12	1.70	Do.
Port Huron	19,158	Delivered		7	10	3	Do.
Reed City	2,051	do		10½	12	1	Do.
Saginaw	42,345	do		7½	10	2.50	Do.
St. Johns	3,388	do		8½	9	.50	Do.
South Frankfort	639	do		10	12	2	Do.
Tecumseh	2,400	do		8½	12	3.50	Paragon Ref. Co.[1]
Traverse City	9,407	do		11	14	3	Standard Oil Co.
Vassar	1,832	do		8	10	2	Do.
West Bay City	13,119	do		9½	10	.50	Do.
Whitehall	1,481	do		8	10	2	Do.
Williamston	1,113	do		7½	9	1.50	Do.
Ypsilanti	7,378	do		8	11	3	Do.

MINNESOTA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Albert Lea	4,500	Delivered		9½	11½	2	Standard Oil Co.
Alexandria	2,681	do		11¾	15	3.25	Do.
Anoka	3,769	do		9¼	13	3.75	Do.
Caledonia	1,179	do		10½	15	4.50	Do.
Cannon Falls	1,239	do		9½	13	3.50	Do.
Chatfield	1,426	do		9½	12	2.50	Do.
Detroit	2,060	do		12¼	15	2.75	Do.
Duluth	52,969	do		7	10	3	Do.
Fairmont	3,040	do		9¼	15	5.75	Do.
Fergus Falls	6,072	do		11¾	15	3.25	Do.
Grand Rapids	1,428	Duluth	2.08	11	15		Do.
Hutchinson	2,495	Delivered		10	12	2	Do.
Jackson	1,756	do		10¾	14	3.25	Do.
Kenyon	1,202	do		11	12½	1.50	Do.
Lanesboro	1,102	do		9½	12	2.50	Do.
Long Prairie	1,385	do		12	14	2	Do.
Luverne	2,223	do		10	15	5	Do.
Mankato	10,599	do		10	13	3	Do.
Mazeppa	556	do		9½	12½	3	Do.
Minneapolis	202,718	do		8½	12	3.50	Do.

[1] This company is controlled by the Standard Oil Co.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

MINNESOTA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Montevideo	2,146	Delivered		11	15	4	Standard Oil Co.
Moorhead	3,730	do		12½	15	2.50	Do.
Morris	1,934	do		11¾	15	3.25	Do.
New Ulm	5,403	do		10	13	3	Do.
Northbranch	1,211	do		10	10		Cornplanters Oil Co
Northfield	3,210	do		9½	12	2.50	Standard Oil Co.
North St. Paul	1,110	do		9½	11	1.50	Do.
Ortonville	1,247	do		12	15	3	Do.
Pipestone	2,536	do		10	15	5	Do.
Plainview	1,038	do		9½	12	2.50	Do.
Preston	1,278	do		10	12	2	Do.
Princeton	1,319	do		11¾	15	3.25	Do.
Red Wing	7,525	do		9½	13	3.50	Do.
Rochester	6,843	do		8	10	2	Do.
Rushford	1,062	do		10	12	2	Do.
Sauk Center	2,220	do		11½	16	4.50	Do.
Springfield	1,511	do		10½	14	3.50	Do.
Spring Valley	1,770	do		9	12	3	Do.
St. Cloud	8,663	do		10¾	14	3.25	Do.
St. James	2,607	do		10¼	14	3.75	Do.
St. Paul	163,065	do		8	12	4	Do.
Stillwater	12,318	Minneapolis	1	10½	13	1.50	Do.
Tracy	1,911	Delivered		10½	14		Do.
Two Harbors	3,278	do		10	10		Do.
Wabasha	2,528	do		9½	13	3.50	Do.
Waterville	1,260	do		9½	11	1.50	Do.
Whitebear Lake	1,288	do		9	11	2	Do.
Winona	19,714	do		8	10	2	Do.
Virginia	2,962	do		11½	16	4.50	Do.
Zumbrota	1,119	do		9½	12	2.50	Do.

MISSISSIPPI.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Amory	1,211	Delivered		14	18	4	Standard Oil Co.
Bay St. Louis	2,872	do		11½	15	3.50	Do.
Biloxi	5,467	do		11½	14	2.50	Do.
Brandon	775	do		14	20	6	Do.
Columbus	6,484	do		14	20	6	Do.
Crystalsprings	1,093	do		14	20	6	Do.
Gloster	1,661	do		14	20	6	Do.
Greenville	7,642	do		11½	13½	2	Do.
Hattiesburg	4,175	do		13	14	1	Do.
Iuka	7,816	do		[1] 14½	17	2.50	Do.
Kosciusko	2,078	do		12	17	5	Do.
Lexington	1,516	do		13½	20	6.50	Do.
Mosspoint		do		11½	15	3.50	Do.
Oxford	1,825	do		11½	15	3.50	Do.
Ripley	653	do		14½	20	5.50	Do.
Shuqualak	600	do		14	20	6	Do.
Vicksburg	14,834	do		10½			Do.
Do	14,834	do		9½	12½	3	Do.
Watervalley	3,813	do		11½	17	5.50	Do.

[1] 175 degrees test.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

MISSOURI.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Ashgrove	1,039	Delivered		[1]13½	20	6½	Waters-Pierce Oil Co.[2]
Aurora	6,191	do		10	15	5	Do.
Bowling Green	1,902	do		10½	13	2½	Standard Oil Co.
Butler	3,158	do		10½	13	2½	Do.
Cape Girardeau	4,815	do		11	15	4	Waters-Pierce Oil Co.
Carrollton	3,854	do		10½	13	2½	Standard Oil Co.
Columbia	5,651	do		[1]14	17	3	Waters-Pierce Oil Co.
Eldorado Springs	2,137	Kansas City	1.4	11½			Standard Oil Co.
Emma		Delivered		[3]15	20	5	Do.
Farmington	1,778	do		10¾	15	4¼	Waters-Pierce Oil Co.
Festus	1,256	do		10	14	4	Standard and W. P. Oil Co.
Fulton	4,883	do		[3]13½	15	1½	Waters-Pierce Oil Co.
Gallatin	1,780	do		10½	15	4½	Standard Oil Co.
Glasgow	1,672	do		10½	15	4½	Do.
Grant City	1,406	do		11	13	2	Do.
Greenfield	1,406	do		10	15	5	Waters-Pierce Oil Co.
Holden	669	do		11½	15	3½	Standard Oil Co.
Hopkins	907	Marysville	0.9	10½	15	3.60	Do.
Huntsville	1,805	Delivered		10½	15	4½	Do.
Independence	6,974	do		9	13	4	Scofield, S. & T.
Jefferson City	9,664	do		[3]13½	17½	[illegible]	Waters-Pierce Oil Co.
Joplin	26,023	do		11½	15	3½	Pa. Refining Co.
Do	26,023	do		12	15	3	Waters-Pierce Oil Co.
Kansas City	163,752	do		8½	10	1½	National Oil Co.
Do	163,752	do		8½	10	1½	Standard Oil Co.
Knobnoster	673	do		10½	15	4½	Do.
Lagrange	1,507	do		10½	15	4½	Do.
Laplata	1,345	do		11	15	4	Do.
Lebanon	2,125	do		[1]14	18	4	Waters-Pierce Oil Co.
Liberty	2,407	do		10	12½	2½	Standard Oil Co.
Lockwood	749	do		12½	15	2½	Waters-Pierce Oil Co.
Louisiana	5,131	do		10½	15	4½	Standard Oil Co.
Marionville	1,290	do		10	15	5	Waters-Pierce Oil Co.
Milan	1,757	do		11	15	4	Standard Oil Co.
Monett	3,115	do		[3]14	17	3	Waters-Pierce Oil Co.
Monroe City	1,929	do		10½	12	1½	Standard Oil Co.
Mount Vernon	1,206	do		[1]13	17	4	Waters-Pierce Oil Co.
Norborne	1,189	Kansas City	1.3	11½	15	2.20	Great Western Oil Co.
Paris	1,397	Hannibal	1.1	10½	15	3.40	Standard Oil Co.
Pattonsburg	1,065	St. Joseph	1.6	10½	15	2.90	Do.
Plattsburg	1,878	do	1.7	[4]15	18	1.30	Do.
Pleasanthill	2,002	Delivered		10	13	3	Do.
Richmond	3,478	do		10	13	3	Do.
Rockport	1,080	do		10½	15	4½	Do.
St. Joseph	102,979	do		9	10	1	Standard Oil Co.
Do	102,979	do		10	12	2	Do.
St. Louis	575,238	do		7½	10	2½	Waters-Pierce Oil Co.
Do	575,238	do		7½	12	4½	Do.
Do	575,238	do		7½	9	1½	Do.
Sarcoxie	1,126	do		12	20	8	

[1] May be Eupion oil; only one reported.
[2] This company is controlled by the Standard Oil Co.
[3] Eupion oil, reported as 150° test: Brilliant oil, the more common grade of the Waters-Pierce Oil Co. is stated by some dealers to test about 110°.
[4] Eocene—higher grade.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

MISSOURI—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Savannah	1,886	Delivered		10½	15	4½	Standard Oil Co.
Springfield	23,267	....do		[1]13	18	5	Scofield.
Do	23,267	....do		[2]12	15	3	Waters-Pierce Oil Co.
Stewartsville	616	....do		10½	12½	2	Standard Oil Co.
Vandalia	1,168	St. Louis, Mo	2	11½	17	3½	Waters-Pierce Oil Co
Washington	3,015	....do		9½	12	2½	Do.
Wellsville	1,160	St. Louis	2	11½	15	1½	Standard Oil Co.
Westplains	2,902	Delivered		12	15	3	Waters-Pierce Oil Co.
Windsor	1,502	....do		9½	13	3½	Standard Oil Co.
York		Springfield	0.62	10	15	4.3	Waters-Pierce Oil Co.

MONTANA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Anaconda	9,453	Delivered		20	25	5	Continental Oil Co.[3]
Billings	3,221	....do		20	25	5	Do.
Boulder		....do		22	25	3	Do.
Bozeman	3,419	....do		20	23	3	Do.
Butte	30,470	....do		20	25	5	Do.
Do	30,470	....do		21	25	4	Do.
Deerlodge	1,324	....do		23	30	7	Do.
Greatfalls	14,930	....do		22	25	3	Do.
Helena	10,770	....do		22	25	3	Standard Oil Co.
Kalispell	2,526	....do		20	25	5	Continental Oil Co.
Livingston	2,778	....do		20	25	5	Do.
Missoula	4,366	....do		25½	30	4½	Do.
Philipsburg	995	....do		24	33	9	Do.
Red Lodge	5,152	....do		20	25	5	Do.
Virginia City[4]	568	....do		26	35	9	Do.

NEBRASKA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Alliance	2,535	Delivered		14	18	4	Standard Oil Co.
Ashland	1,477	Omaha, Nebr	1.3	[5]12½	15	1⅕	Do.
Auburn	2,664	....do	1.8	11	15	2⅕	Do.
Beatrice	7,875	Delivered		11½	15	3½	Do.
Blair	2,970	....do		11	14	3	Do.
Central City	1,571	....do		13½	17	3½	Do.
Columbus	3,522	....do		11½	15	3½	Do.
Crawford	731	....do		[6]21	25	4	Do.
Dorchester	521	....do		11½	15	3½	Do.
Falls City	3,022	....do		11	15	4	Do.
Fremont	7,241	....do		11	15	4	Do.
Friend	1,200	....do		11½	15	3½	Do.
Geneva	1,534	....do		12	15	3	Do.
Gothenburg	819	Omaha, Nebr	4.9	11½	20	$3\frac{6}{10}$	Do.
Holdrege	3,007	Delivered		13½	20	6½	Do.
Indianola	626	Omaha, Nebr	5.04	11			Do.
Lincoln	40,169	Delivered		10	15	5	Do.
Do	40,169	....do		10	12½	2.50	Do.
Nebraska City	7,380	....do		10	15	5	Do.
Norfolk	3,883	....do		12	15	3	Do.

[1] May be Eupion oil; only one reported.
[2] Eupion oil, reported as 150° test: Brilliant oil, the more common grade of the Waters-Pierce Oil. Co. is stated by some dealers to test about 110°.
[3] This company is controlled by the Standard Oil Co.
[4] Not on railroad.
[5] Headlight oil, 175°.
[6] This may be a higher grade. Crawford is near Wyoming, 473 miles from Omaha on the main line

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degreees test or less, the common lower grade, unless indicated)*—Continued.

NEBRASKA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Omaha	102,555	Delivered		10	13	3	Standard Oil Co.
Do	102,555	do		8½	13	4.50	Do.
Do	102,555	do		8½	12	3.50	Do.
Do	102,555	do		8½	12	3.50	Scofield, S. & T.
Do	102,555	do		8½	12	3.50	Standard Oil Co.
Randolph	850	do		12	15	3	Do.
Shelton	861	do		13½	18	4.50	Do.
St. Paul	1,475	Omaha, Nebr	3¼	9	16	3.75	Do.
Stromsburg	1,154	do	2.2	11½	15	3	Do.
Tekamah	1,597	Delivered		11	15	4	Do.
Wahoo	2,100	do		11	14	3	Do.
Wilber	1,054	do		11½	15	3.50	Do.
York	5,132	do		11½	15	3.50	Do.

NEVADA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Carson	2,100	Reno, Nev	1.6	21½	30	6.9	Standard Oil Co.
Virginia City	2,695	do	0.96	[1] 27½	35	6.54	Do.

NEW HAMPSHIRE.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Bartlett	1,013	Delivered		10	14	4	Standard Oil Co.
Belmont	1,294	do		9¼	12	2¾	Do.
Canaan	1,444	do		9½	14	4½	Do.
Claremont	6,498	do		8½	11	2½	Do.
Concord	19,632	do		9½	12	2½	Do.
Conway	3,154	do		10	13	3	Do.
Epping	1,641	do		9¼	12	2¾	Jenney Mfg. Co.
Exeter	4,922	do		9¼	12	2¾	Standard Oil Co.
Farmington	2,265	do		9¼	12	2¾	Do.
Haverhill	3,414	do		10	12	2	Do.
Hinsdale	1,933	do		8½	12	3½	Do.
Keene	9,165	do		10¼	14	3¾	Independent Ref. Co.
Laconia	8,042	do		9¼	11	1¾	Standard Oil Co.
Littleton	4,066	do		9	13	4	Do.
Manchester	56,987	do		9¼	12	2¾	Do.
Marlboro	1,524	do		9	12	3	Do.
Newport	3,126	do		9	13	4	Do.
Portsmouth	10,637	do		9¼	12	2¾	Do.
Tilton	1,926	do		9¼	12	2¾	Do.
Winchester	2,274	do		9	12	3	Do.
Wolfboro	2,390	do		9	12	3	Do.

NEW JERSEY.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Bayonne	32,722	Delivered		8	10	2	Standard Oil Co.
Belvidere	902	do		8½	12	3½	Atlantic Ref. Co.[2]
Beverly	1,950	do		7½	10	2½	Standard Oil Co.
Bloomfield	9,668	do		8½	11	2½	Do.
Bordentown	4,110	do		7	9	2	Do.
Bridgeton	13,913	do		8½	11	2½	Do.
Do	13,913	do		8½	10	1½	Do.
Burlington	7,392	do		7	10	3	Do.
Camden	75,935	do		9	10	1	Do.
Do	75,935	do		7	8	1	Crew, Levick & Co.

[1] Probably a higher grade or includes charge for barrel.
[2] This company is controlled by the Standard Oil Company.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

NEW JERSEY—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Cape May	2,257	Delivered		9	12	3	Standard Oil Co.
East Orange	21,506	do		8½	12	3½	Do.
Elizabeth	52,130	do		9	12	3	Do.
Flemington		do		9	11	2	Do.
Garfield	3,504	do		9	11	2	Do.
Hackettstown	2,474	do		9	12	3	Do.
Harrisonville	10,596	do		8½	12	3½	Do.
Hoboken	59,364	do		7	9	2	Do.
Jersey City	206,433	do		8	10	2	Do.
Do	206,433	do		8	9	1	Do.
Keyport	3,413	do		9	12	3	Do.
Lambertville	4,637	do		9	12	3	Do.
Leonardo		do		9	12	3	Do.
Long Branch	8,872	do		9	12	3	Do.
Milburn	2,837	do		8½	12	3½	Do.
Millville	10,583	do		8½	11	2½	Do.
Morristown	11,265	do		7½	10	2½	Crew, Levick & Co.
Mount Holly		do		7½	10	2½	Standard Oil Co.
Newark	246,070	do		[1]10¼	15	4¾	Do.
Do	246,070	do		8½	10	1½	Do.
Do	246,070	do		8½	13	4½	Do.
Do	246,070	do		8½	10	1½	Do.
New Brunswick	20,006	do		9	11	2	Do.
Paulsboro		do		8	10	2	Do.
Plainfield	15,369	do		9	11	2	Do.
Newton	4,376	do		9	9	0	Do.
Orange	24,141	do		[1]10¼	14	3¾	Do.
Do	24,141	do		8½	12	3½	Do.
Do	24,141	do		8½	11	2½	Do.
Paterson	105,171	do		9	11	2	Do.
Do	105,171	do		9	11	2	Do.
Do	105,171	do		9	10	1	Do.
Perth Amboy	17,699	do		9	12	3	Do.
Pleasantville	2,182	do		8½	12	3½	Do.
Raritan	3,244	do		9	11	2	Do.
Redbank	5,428	do		9	12	3	Do.
Rutherford	4,411	do		9	12	3	Do.
Salem	5,811	do		8½	10	1½	Do.
South River	2,792	do		9	12	3	Do.
Trenton	73,307	do		7	9	2	Do.
West Hoboken	23,094	do		8	10	2	Do.
West Orange	6,889	do		8½	12	3½	Do.
Woodbury	4,087	do		7½	10	2½	Do.
Woodstown	1,371	do		8	10	2	Do.

NEW YORK.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Akron	1,585	Delivered		7½	9	1½	Standard Oil Co.
Amsterdam	20,929	do		8½	11	2½	Do.
Athens	2,171	do		8½	12	3½	Do.
Attica	1,785	do		7½	10	2½	Do.
Belmont	1,190	do		7½	11	3½	Do.
Binghamton	39,647	do		7½	9	1.50	Do.
Do	39,647	do		7	9	2	Do.
Brewster	1,192	do		9½	13	3.50	Do.
Brockport	3,398	do		8½	10	1.50	Vacuum Oil Co.[2]
Buffalo	352,387	do		8½	12	3.50	Star Oil Co.

[1] Higher grade.

[2] This company is controlled by the Standard Oil Co.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

NEW YORK—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Buffalo	352,387	Delivered		8	10	2	Standard Oil Co.
Do	352,387	do		8	10	2	Do.
Do	352,387	do		8	10	2	Do.
Cambridge	1,578	Albany	0.7	8½	10	.8	Do.
Canajoharie	2,105	Delivered		8	11	3	Do.
Canastota	3,030	do		9	11	2	Do.
Carthage	2,895	do		[1] 10¼	13	2.75	
Cattaraugus	1,382	do		7	10	3	Do.
Clayton	1,913	do		9	12	3	Do.
Cobleskill	2,327	do		8	10	2	Do.
Cohoes	23,910	do		6½	10	3.50	Do.
Cooperstown	2,368	do		8½	12	3.50	Do.
Cornwall on the Hudson.	1,966	do		8½	11	2.50	Do.
Coxsackie	2,735	do		8	12	4	Do.
Cuba	1,502	do		6½	10	3.50	Do.
Dansville	3,633	do		8½	10	1.50	Vacuum Oil Co.[2]
Dobbs Ferry	2,888	do		10	12	2	Standard Oil Co.
Dundee	1,291	do		8	11	3	Pa. Petroleum Co.
Dunkirk	11,616	do		7	10	3	Standard Oil Co.
Do	11,616	do		7	10	3	Do.
East Patchogue	2,929	do		9	12	3	Do.
Ellenville	2,879	do		8	10	2	Do.
Elmira	35,672	do		7	10	3	Do.
Fairport	2,489	do		9	11	2	Vacuum Oil Co.[2]
Far Rockaway		do		9	12	3	Standard Oil Co.
Frankfort	2,664	do		8	10	2	Do.
Fredonia	4,127	do		7	9	2	Do.
Friendship	1,214	Oil City, Pa	1.6	9	13	2.40	Independent Ref. Co.
Fulton	5,281	Delivered		8½	11	2.50	Standard Oil Co.
Geneva	10,433	do		8½	10	1.50	Do.
Genesee	2,400	do		9	11	2	Vacuum Oil Co.[2]
Glenns Falls	12,613	do		8½	10	1.50	Standard Oil Co.
Gloversville	18,349	do		8½	11	2.50	Do.
Herkimer	5,555	do		8	10	2	Do.
Homer	6,206	do		7½	10	2½	Do.
Honeoye Falls	1,175	do		8½	10	1½	Do.
Ithaca	13,136	do		8½	10	1½	Do.
Do	13,136	do		8	10	2	Do.
Do	13,136	do		8	9	1	Do.
Irvington	2,231	Yonkers	0.7	9½	12	1.8	Do.
Islip	12,545	Delivered		9½	14	4½	Do.
Jamaica		do		9½	11	1½	Do.
Jamestown	22,892	do		8	10	2	Do.
Do	22,892	do		7½	10	2½	Do.
Johnstown	10,130	do		8½	11	2½	Do.
Keeseville	2,110	do		8½	12	3½	Do.
Kingston	24,535	do		8½	10	1½	Do.
Lansingburg	12,595	do		7	10	3	Do.
Little Falls	10,381	do		8	10	2	Do.
Lockport	16,581	do		7½	10	2½	Do.
Do	16,581	do		7½	10	2½	Do.
Lyons	4,300	do		8½	10	1½	Do.
Malone	5,935	do		8½	10	1½	Do.
Mamaroneck	4,722	New York	0.8	[3] 11½	15	2.70	Do.
Massena	2,032	Delivered		8½	12	3.50	Do.
Mattituck		do		9½	10	.50	Do.
Mayville	943	Jamestown	1	6½	10	2.50	Do.
Medina	4,716	Delivered		7½	10	2.50	Do.

[1] May be higher grade; only one reported.
[2] This company is controlled by the Standard Oil Company.
[3] Probably a higher grade or includes charge for barrel.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

NEW YORK—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Medina	4,716	Delivered		8	11	3	Standard Oil Co.
Middleburg	1,135	do		8	12	4	Do.
Middletown	14,522	do		8	10	2	Do.
Montgomery	973	do		8½	12	3.50	Do.
Montour Falls	1,193	do		8	10	2	Do.
Moravia	1,442	do		8	10	2	Do.
Mount Kisco	1,346	do		9½	10	.50	Do.
Naples	1,048	do		8	10	2	American Oil Works.
New Brighton		do		9½	12	2.5	Standard Oil Co.
Newburg	24,943	do		8½	11	2.50	Do.
New York City	3,437,202	do		8	12	4	Do.
Do	3,437,202	do		8	12	4	Do.
Do	3,437,202	do		8½	11	2.50	Do.
Do	3,437,202	do		9	11	2	Do.
Do	3,437,202	do		8½	9	.50	Do.
Olean	9,462	do		7½	10	2.50	Do.
Do	9,462	do		7½	12	4.50	Acme Oil Co.[1]
Do	9,462	do		7½	10	2.50	Standard Oil Co.
Oswego	22,199	do		9	10	1	Do.
Do	22,199	do		8½	10	1.50	Do.
Oxford	1,931	do		8	12	4	Do.
Penn Yan	4,650	do		8	12	4	Do.
Phelps	1,306	Titusville, Pa.	1.16	7⅛	10	1.72	American Oil Works.
Plattsburg	8,434	Delivered		9¾	12	2.25	Standard Oil Co.
Port Chester	7,440	do		9	11	2	Do.
Do	7,440	do		9	12	3	Do.
Port Jervis	9,385	do		8	10	2	Do.
Do	9,385	do		8	10	2	Do.
Port Jefferson		New York	1	[2]10½	13	1.50	Do.
Port Richmond		Delivered		9½	12	2.50	Do.
Potsdam	3,843	do		8½	12	3.50	Do.
Rensselaerville	7,466	do		7	10	3	Do.
Rochester	162,608	do		7½	10	2.50	Vacuum Oil Co.[1]
Do	162,608	do		7	10	3	Do.
Rome	15,343	do		8	10	2	American Oil Works.
Do	15,343	do		8	10	2	Standard Oil Co.
Rondout		do		8½	11	2.50	Do.
Roslyn		Long Island City	.68	9½	12	1.82	Do.
Rouse Point	1,675	Delivered		9	12	3	Do.
Rye		do		9	12	3	Do.
Sag Harbor	1,969	do		9½	12	2.50	Do.
Do	1,969	do		9½	12	2.50	Do.
Salamanca	4,251	do		7½	10	2.50	Do.
Saratoga Springs	12,409	do		8	12	4	Do.
Do	12,409	do		8	12	4	Do.
Schenectady	31,682	do		8	10	2	Do.
Do	31,682	do		8½	10	1.50	Do.
Sandy Hill	4,473	do		8½	12	3.50	Do.
Seneca Falls	6,519	do		8½	10	1.50	Do.
Southampton	2,289	do		9½	12	2.50	Do.
Southold		do		9½	13	3.50	Do.
St. Johnsville	1,873	do		8¾	11	2.25	American Oil Works.
Do	1,873	do		8	10	2	Standard Oil Co.
St. Regis Falls	879	do		8	10	2	Do.
Stamford	901	do		9¼	11	1.75	Do.
Syracuse	108,374	do		7½	10	2.50	American Oil Works.
Theresa	917	do		9	12	3	Standard Oil Co.
Troy	60,651	do		7	10	3	Do.
Do	60,651	do		7	10	3	Do.
Tuckahoe		do		9½	13	3.50	Do.
Union Springs	994	do		7½	10	2.50	Do.
Utica	56,383	do		7	10	3	Do.

[1] This company is controlled by the Standard Oil Company.
[2] May be higher grade; only one reported.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

NEW YORK—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	Cents.	Cents.	Cents.	
Utica	56,383	Delivered		7	10	3	Standard Oil Co.
Do	56,383	do		7	10	3	Do.
Waterford	3,146	do		7	10	3	Do.
Waterloo	4,256	do		8	11	3	Do.
Watertown	21,696	do		9	12	3	Do.
Watervliet	1,571	do		7	10	3	Do.
Do	1,571	do		7	10	3	Do.
Waverly	4,465	do		8	10	2	Do.
Do	4,465	do		8	10	2	Do.
Wayland	1,307	do		8	10	2	Vacuum Oil Co.[1]
Wellsville	3,556	do		7½	9	1.50	Standard Oil Co.
West Coxsackie	2,735	do		8	10	2	Do.
Westfield	2,430	do		7	10	3	Do.
Whitestone		do		9	12	3	Do.
Wolcottsville	1,279	do		7½	9	1.50	Do.
Woodhaven		do		9½	12	2.50	Do.
Worcester	2,409	do		8	9	1	Do.

NORTH CAROLINA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Clinton	958	Delivered		11	15	4	Standard Oil Co.
Durham	6,679	do		10½	15	4.50	Do.
Kernersville	652	do		11½	14	2.50	Do.
Lenoir	1,296	do		12½	16	3.50	Red "C" Oil Manufacturing Co.[1]
Lincolnton	828	do		10¾	15	4.25	Standard Oil Co.
Madison	813	do		12¾	15	2.25	Do.
Maxton	935	do		11¼	15	3.75	Do.
Monroe	2,427	do		10½	13	2.50	Do.
Mooresville	1,533	do		10	15	5	Do.
Mount Olive	617	do		11½	15	3.50	Do.
Newbern	9,090	do		10¼	12	1.75	Do.
Raleigh	13,643	do		11	15	4	Do.
Salem	3,642	do		10½	15	4.50	Do.
Shelby	1,874	do		13	18	5	Do.
Statesville	3,141	do		11	15	4	Do.
Washington	4,842	do		9¼	11½	2.25	Red "C" Oil Manufacturing Co.
Wilmington	20,976	do		10	12½	2.50	Standard Oil Co.
Do	20,976	do		10	12½	2.50	Do.

NORTH DAKOTA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Bismarck	3,319	Delivered		15	20	5	Standard Oil Co.
Cooperstown	848	do		13	18	5	Do.
Fargo	9,589	do		12½	17	4.50	Do.
Do	9,589	do		12½	16	3.50	Do.
Do	9,589	do		13½	16	2.50	Do.
Grand Forks	7,652	do		12½	17	4.50	Do.
Hillsboro	1,172	do		12½	15	2.50	Do.
Jamestown	2,853	do		12½	18	5.50	Do.
Mandan	1,658	do		15	20	5	Do.
Mayville	1,106	do		13	15	2	Do.
Minot	1,277	do		[2]16	20	3	Do.
Valley City	2,446	do		13	17	4	Do.
Wahpeton	2,228	do		12½	15	2.50	Do.

[1] This company is controlled by the Standard Oil Company.
[2] Apparently both prices are for Eocene, a higher grade.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

OHIO.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Akron	42,728	Delivered		5¾	8	2.25	Cleveland Refining Co.
Alliance	8,974	....do		7½	10	2.50	Standard Oil Co.
Antwerp	1,206	....do		8¼	10	1.75	Do.
Ashtabula	12,949	....do		8	10	2	Do.
Barnesville	3,721	....do		7½	12	4.50	Do.
Bedford	1,486	....do		6½	8	1.50	Do.
Berea	2,510	....do		7½	10	2.50	Do.
Bluffton	1,783	....do		8¼	10	1.75	Do.
Cadiz	1,755	....do		8	10	2	Do.
Cardington	1,354	....do		8	10	2	Pennsylvania Oil Co.
Carrollton	1,271	....do		8½	12	3.50	Standard Oil Co.
Cedarville	1,189	Xenia and Dayton	0.38	7½	10	2.12	Do.
Celina	2,815	Delivered		8¼	12	3.75	Do.
Chagrin Falls	1,586	....do		9½	12	2.50	Do.
Cincinnati	325,902	....do		6½	7½	1	Do.
Do	325,902	....do		6½	9	2.50	Do.
Circleville	6,991	....do		8¼	10	1.75	Do.
Cleveland	381,768	....do		6½	10	3.50	Do.
Do	381,768	....do		6¼	8	1.75	Do.
Do	381,768	....do		6	9	3	Do.
Cleves	1,328	Cincinnati	0.6	8	10	1.40	Do.
Clyde	2,515	Toledo	0.56	6	9	2.44	Sun Oil Co.[1]
Collinwood	3,639	Delivered		8½	12½	4	Cleveland Refining Co.
Columbiana	1,339	Freedom, Pa.	0.8	8¾	10	.45	Freedom Oil Works.
Columbus	125,560	Delivered		7	10	3	Standard Oil Co.
Columbus Grove	1,935	....do		8¼	10	1.75	Do.
Connorville	....	Steubenville	.54	7½	9	.96	Freedom Oil Works.
Cortland	620	Delivered		5½	7	1.50	Standard Oil Co.
Delta	1,230	....do		8¼	10	1.75	Do.
Deshler	1,628	....do		8¼	12	3.75	Do.
East Liverpool	16,485	....do		6½	9	2.50	Do.
Findlay	17,613	....do		8¾	10	1.25	Do.
Fremont	8,439	....do		7¾	10	2.25	Do.
Garrettsville	1,145	....do		8¼	10	1.75	Do.
Greenville	5,501	....do		7½	10	2.50	Do.
Greenwich	849	....do		8¼	12	3.75	Do.
Hamilton	23,914	....do		7½	9	1.50	Do.
Harrison	1,456	....do		8	10	2	Do.
Hillsboro	4,535	....do		7½	10	2.50	Do.
Holgate	1,237	....do		8¼	10	1.75	Do.
Jackson	4,672	....do		7¾	10	2.25	Do.
Lancaster	8,991	....do		9¼	11	1.75	Do.
Leetonia	2,744	....do		6¾	10	3.25	Do.
Lima	21,723	....do		8¼	12	3.75	Do.
London	3,511	....do		7¾	10	2.25	Do.
Lorain	16,028	....do		5¾	9	3.25	Do.
Loudonville	1,581	....do		8	11	3	Do.
Manchester	2,003	....do		7½	10	2	Do.
Mansfield	17,640	....do		7	9	2	
Marion	11,862	....do		8¼	11	2.75	Do.
Maumee	1,856	....do		6½	8	1.5	Do.
Medina	2,232	....do		5½	8	2.5	Do.
Miamisburg	3,941	....do		7½	10	2.5	Do.
Millersburg	1,998	....do		8¼	12	2.25	Do.
Monroeville	1,211	....do		7	10	3	Do.
Montpelier	1,869	....do		8¼	10	1.75	Do.
Mount Gilead	1,528	Mansfield	.6	7½	10	1.9	Independent Oil Co.
Mount Vernon	6,633	Delivered		8¼	10	1.75	Standard Oil Co.
New Comerstown	2,659	....do		8	12	4	Do.
New London	1,180	....do		8¼	10	1.75	Do.

[1] This company is controlled by the Standard Oil Company.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

OHIO—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon,	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
New London	1,180	Delivered		8¼	12	3.75	Standard Oil Co.
New Philadelphia	6,213	do		8¼	12	3,75	Do.
New Straitsville	2,302	Nelsonville	.72	[2]11	15	3.28	Do.
Niles	7,468	Delivered		5½	8	2.5	Do.
Do	7,468	do		6	8	2	Freedom Oil Co.
North Amherst	1,758	Cleveland	½	5¾	10	3.75	Standard Oil Co.
North Baltimore	3,561	Delivered		7¾	10	2.25	Do.
Norwalk	7,074	do		7	10	3	Sun Oil Co.[1]
Oberlin	4,082	do		5¾	8	2.25	Standard Oil Co.
Oxford	2,009	do		7½	10	2.5	Cleveland Refining Co.
Painesville	5,024	do		9¼	9¾	.5	Standard Oil Co.
Paulding	2,080	do		8¼	10	1.75	Do.
Quaker City	878	Cambridge	½	9	12	2.5	Do.
Sabina	1,481	Delivered		8¼	10	1.75	Do.
Salineville	2,353	do		6¾	10	3.25	Do.
Sandusky	19,664	do		7¾	10	2.25	Do.
Shelby	4,685	Mansfield	.6	8	12	3.40	Independent Oil Co.
Springfield	38,253	Delivered		7	10	3	Standard Oil Co.
St. Marys	5,359	do		8¼	10	1.75	Do.
St. Paris	1,222	do		7¼	9	1.75	Do.
Toledo	131,822	do		7	10	3	Do.
Do	131,822	do		6½	9	2.5	Do.
Upper Sandusky	3,355	do		8¼	10	1.75	Do.
Urbana	6,808	do		7¼	10	2.75	Do.
Wadsworth	1,764	do		7	10	3	Scofield, Shurmer, & Teagle.
Wauseon	2,148	do		8½	12	3.5	Standard Oil Co.
Washington C. H.	5,751	do		[3]9¾	12	2.25	Do.
Westerville	1,462	do		7¼	10	2.75	Do.
Wilmington	3,613	do		8¼	10	1.75	Do.
Youngstown	44,885	do		7½	10	2.5	Do.

OREGON.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon,	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Astoria	8,381	Delivered		14½	20	5.5	Standard Oil Co.
Do	8,381	do		14½	19	4.5	Do.
Forest Grove	1,096	Portland, Oreg	.62	13½	20	5.88	Do.
Grants Pass	2,290	Delivered		20½	25	4.5	Do.
Independence	909	Portland, Oreg	1.25	13	18	3.75	Do.
Junction City	506	do		13⅝	20	4.15	Do.
Lebanon	922	Delivered		16	20	4	Do.
Oregon City	3,494	Portland, Oreg	.8	12½	17½	4.2	Do.
Portland	90,426	Delivered		14	17	3	Do.
Salem	4,258	do		15½	18	2.5	Do.
The Dalles	3,542	do		16½	22	5.5	Do.
Woodburn	828	Portland, Oreg	1.2	13½	18	3.3	Do.

PENNSYLVANIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon,	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Allegheny	129,896	Delivered		5¾	10	4.25	Waverly Oil Co.
Do	129,896	do		8¾	12	3.25	Warden & Oxnard.
Allentown	35,416	do		8	11	3	Atlantic Refining Co.[1]
Annville		do		7½	10	2.5	Do.
Ashland	6,438	do		9½	14	4.5	Standard Oil Co.

[1] This company is controlled by the Standard Oil Company.
[2] Eocene, a higher grade.
[3] 150° test, the common grade.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

PENNSYLVANIA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Athens	3,749	Delivered		8	10	2	Standard Oil Co.
Auburn	845	do		8	10	2	Atlantic Refining Co.
Audenried		do		8¼	15	6.75	Do.
Barnesboro	1,482	do		8½	10	1.50	Standard Oil Co.
Beaver	2,348	do		6¾	10	3.25	Freedom Oil Works.
Beaver Falls	10,054	Pittsburg	½	7¼	12	4.25	The People's Oil Co.
Bellwood	1,545	Delivered		9¼	12	2.75	Atlantic Refining Co.
Bennett		do		6½	8	1.50	Waverly Oil Works.
Boiling Springs		do		9½	12	2.5	Capital City Oil Co.
Boyertown	1,709	do		8½	12	3.5	Atlantic Refining Co.
Bradford	15,029	do		6¾	12	5.25	Kendall Refining Co.
Brockwayville	1,777	do		6¼	10	3.75	Standard Oil Co.
Bryn Mawr		do		6½	10	3.5	Atlantic Refining Co.
Carnegie	7,330	do		7½	9	1.5	Standard Oil Co.
Carrick		do		[2]8¾	10	1.25	Do.
Catasauqua	3,963	do		8	11	3	Atlantic Refining Co.
Centralia	2,048	do		8	10	2	
Chambersburg	8,864	do		9	12	3	Standard Oil Co.
Christiana	828	do		8	10	2	Atlantic Refining Co.
Clarion	2,004	do		7¾	10	2.25	Do.
Claysville	856	do		8	10	2	Do.
Clifton Heights	2,330	do		7	10	3	Crew. Levick Co.
Coraopolis	2,555	Pittsburg	½	6½	11	4	Atlantic Refining Co.
Cressona	1,738	Delivered		8½	12	3.5	Standard Oil Co.
Darby	3,429	do		6½	8	1.5	Atlantic Refining Co.
Dauphin	566	do		9½	12	2.5	
Dunbar	1,662	Pittsburg	1.02	8¾	10	.23	Do.
Duncansville	1,512	Delivered		10	13	3	Standard Oil Co.
Dushore	884	do		7	8	1	Atlantic Refining Co.
East Downingtown.	2,133	do		7¾	10	2.25	Do.
Elizabethtown	1,473	do		7	9	2	Standard Oil Co.
Elklick	2,982	do		8¼	12	2.5	Atlantic Refining Co.
Emlenton	1,190	Franklin	.9	7¼	11	2.85	Eclipse Oil Refining Co.[1]
Erie	52,733	Delivered		7	10	3	Standard Oil Co
Falls Creek		do		7	10	3	Do.
Frankford	128	do		7	10	3	Atlantic Refining Co.
Do.	128	do		7	10	3	Do.
Franklin	961	do		7½	12	4.5	Franklin Oil Works.
Girardville	3,666	do		9	15	6	
Glen Campbell	1,628	do		8½	12	3.5	Atlantic Refining Co.
Greatbend	836	do		7½	10	2.5	Standard Oil Co.
Greencastle	1,463	do		9	12	3	Atlantic Refining Co.
Greensburg	6,508	do		9½	15	5.5	Standard Oil Co.
Grove City	1,599	do		10½	13	2.5	Eclipse Refining Co.[1]
Harrisburg	50,167	do		7½	12	4.5	Capital City Oil Co.

[1] This company is controlled by the Standard Oil Company.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

PENNSYLVANIA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Hawley	1,925	Delivered		7½	10	2.5	Standard Oil Co.
Homer City	570	....do		8¾	12	3.25	Atlantic Refining Co.[2]
Honesdale	2,864	....do		7	10	3	
Houtzdale	1,482	....do		[1] 10½	14	3.5	Denlinger Bros. Oil Co.
Hughesville	1,528	....do		8½	10	1.5	Atlantic Refining Co.
Huntingdon	6,053	....do		9	12	3	Do.
Irvona	723	....do		8½	12	3.5	
Irwin	2,452	....do		8½	12½	4	Do.
Jeannette	5,865	....do		7¾	15	7.25	Do.
Jermyn	2,567	....do		8	10	2	Hendrick Manufacturing Co.
Jersey Shore	3,070	....do		8½	10	1.5	Atlantic Refining Co.
Jessup		....do		8	10	2	Do.
Kingston	3,846	....do		7	10	3	Do.
Lancaster	41,459	....do		7½	9	1.5	Crew-Levick Co.
Lansdale	2,754	Philadelphia	.56	7½	9	.94	
Lebanon	17,628	Delivered		7½	9	1.5	Atlantic Refining Co.
Lehighton	4,629	....do		10½	12	1.5	Do.
Lewisburg	3,457	....do		8	10	2	Standard Oil Co.
Lewistown	4,451	....do		9	12	3	Do.
Liberty	263	....do		8½	10	1.5	Atlantic Refining Co.
Lockhaven	7,210	....do		8½	12	3.5	Do.
Luzerne	3,817	....do		7	10	3	
Lykens	2,762	....do		8	12	4	Standard Oil Co.
Mahanoy City	13,504	....do		7	9	2	
Marietta	2,469	....do		7	9	2	Do.
Martinsburg	590	Altoona	.9	9	12	2.10	Atlantic Refining Co.
Manheim	2,019	Delivered		7	9	2	Keystone Oil Co.
Mauchchunk	4,029	....do		8½	13	4.5	Standard Oil Co.
Meadville	10,291	....do		7¾	10	2.25	Eclipse Oil Co.[2]
Mercer	1,804	....do		8½	10	1.5	Atlantic Refining Co.
Meyersdale	3,024	....do		8½	12	3.5	Do.
Midway		Pittsburg	.44	8½	12	3.06	Do.
Moores		Delivered		7½	10	2.5	Do.
Mount Carmel	13,179	....do		7	10	3	Do.
Do	13,179	....do		7	10	3	Do.
New Brighton	6,820	....do		6	10	2.5	Standard Oil Co.
Newcastle	28,339	....do		6½	10	3.5	Atlantic Refining Co.
Do	28,339	....do		6	10	4	Freedom Oil Co. and Pa. Oil Co.
Norristown	22,265	....do		7½	9	1.5	Atlantic Refining Co.
Parsons	2,529	....do		7	10	3	Do.
Patton	2,651	....do		8½	12	3.5	Do.
Pen Argyl	2,784	....do		8	12	4	Do.
Philadelphia	1,293,697	....do		6	8	2	Do.
Do	1,293,697	....do		6	8	2	Standard Oil Co.
Do	1,293,697	....do		6	8	2	Pure Oil Co.

[1] Water White, the common grade.
[2] This company is controlled by the Standard Oil Company.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

PENNSYLVANIA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Do	1,293,697	Delivered		7	10	3	Atlantic Refining Co.
Do	1,293,697	do		7	9	2	Crew-Levick Co.
Philipsburg	3,266	do		[1]12	15	3	Denlinger Bros. Oil Co.
Pittsburg	321,616	do		5½	6	.5	Waverly Oil Co.
Pittston	12,556	do		7½	10	2.5	Standard Oil Co.
Reynoldsville	3,435	do		7	12	5	Do.
Royersford	2,607	do		7¾	10	2.25	Atlantic Refining Co.
Schuylkill Haven	3,654	do		8	12	4	Do.
Scranton	102,026	do		8	10	2	Atlantic Refining Co. and Maloney Oil Co.
Sharon	8,916	do		7½	10	2.5	Atlantic Refining Co.
Sharpsburg	6,842	do		8½	10	1.5	Do.
Sheridanville	2,948	do		6½	9	2.5	Do.
Slatington	3,773	do		8	12	4	Do.
Somerset	1,834	do		8	12	4	Do.
Stroudsburg	916	do		8½	11	2.5	Do.
St. Clair	4,638	do		8	11	3	Do.
Sunbury	9,810	do		7	12	5	Do.
Tarentum	5,472	do		6½	10	3.5	Do.
Titusville	8,244	do		6¾	7	.25	Atlantic Refining Co. and American Oil Works.
Towanda	4,663	do		8	11	3	Atlantic Refining Co.
Union City	3,104	do		7½	10	2.5	Do.
Washington	7,670	do		7	9	[illegible]	
Wayne		do		9	12	3	Continental Oil Co.
Waynesburg	2,544	do		9¾	12	2.25	Atlantic Refining Co.
Wellsboro	2,954	do		8½	10	1.5	Standard Oil Co.
Westchester	9,524	do		8	10	2	Crew-Levick Oil Co.
Wyoming	1,909	do		7½	10	2.5	Atlantic Refiniug Co.

RHODE ISLAND.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Block Island		Providence	1	10	15	4	Standard Oil Co.
Central Falls	18,167	Delivered		9¼	12	2.75	Do.
Do	18,167	do		9¼	12	2.75	Do.
East Greenwich	2,775	do		9½	12	2.50	Do.
Newport	22,034	do		9½	13	3.50	Do.
North Tiverton	2,977	do		9½	12	2.50	Do.
Pawtucket	39,231	do		9¾	12	2.25	Do.
Providence	175,597	do		9¼	12	2.75	Do.
Do	175,597	do		9¼	12	2.75	Do.
Prudence		do		9¼	11	1.75	Do.
Valley Falls		do		9¼	12	2.75	Do.
Wakefield		do		9	11	2	Do.
Warren	5,108	do		9¾	12	2.25	Do.
Westerly	7,541	do		8½	11	2.50	Do.
Wickford		do		8¾	13	4.25	Do.

[1] Includes charge for barrel.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
SOUTH CAROLINA.							
Anderson	5,498	Delivered		11½	15	3.5	Standard Oil Co.
Beaufort	4,110	do		12½	14	1.5	Do.
Columbia	21,108	do		10	12½	2.5	Standard and Red "C" Oil Co.[1]
Edgefield	1,775	Augusta, Ga	2.16	[2]15	20	2.84	Standard Oil Co.
Florence	4,647	Delivered		11	15	4	Do.
Greenville	11,860	do		12½	14	1.5	Do.
Mount Pleasant	2,252	Charleston	.6	13	15	1.4	Do.
Newberry	4,607	Delivered		11½	15	3.5	Do.
Pacolet	365	do		12½	20	7.5	Do.
Pelzer		do		12	15	3	Do.
Rock Hill	5,485	do		10½	15	2.5	Do.
Spartanburg	11,395	do		11½	15	3.5	Do.
Walhalla	1,307	do		13	20	7	Do.
SOUTH DAKOTA.							
Deadwood	3,498	Delivered		18	25	7	Standard Oil Co.
Eureka	961	do		13	18	5	Do.
Madison	2,550	do		11	15	4	Do.
Sioux Falls	10,266	do		10½	15	4.5	Do.
Do	10,266	do		10½	13	2.5	Do.
Spearfish	1,166	do		19	25	6	Do.
Yankton	4,125	do		13	20	7	Do.
TENNESSEE.							
Alexandria		Delivered		12½	15	2.5	Standard Oil Co.
Athens	1,849	do		14	18	4	Do.
Bellbuckle	665	do		13½	17	3.5	Do.
Bolivar	1,035	do		15½	20	4.5	Do.
Clarksville	9,431	do		10	12	2	Do.
Columbia	6,052	do		13½	18	4.5	Do.
Dyersburg	3,647	do		13½	16	2.5	Do.
Jackson	14,511	do		10½	12½	2	Do.
Jonesboro	854	do		11½	15	3.5	Do.
Kingston	548	Harriman	1	12	18	5	Do.
Knoxville	32,637	Delivered		12	15	3	Do.
Do	32,637	do		11	12½	1.5	Do.
Do	32,637	do		12½	14	1.5	Do.
Lawrenceburg	823	do		15½	17	1.5	Do.
McMinnville	1,980	do		[3]15½	18	2.5	Do.
Do	1,980	do		16	18	2	Do.
Maryville		do		15	20	5	Do.
Rogersville	1,386	do		13½	18	4.5	Do.
Trenton	2,328	do		13	20	7	Do.
TEXAS.							
Amarilla	1,442	Delivered		14	17	3	Waters-Pierce Oil Co.[1]
Bartlett	957	do		13.5	17	3.5	Do.
Beeville		do		12.5	15	2.5	Do.
Bowie	2,600	do		13	17	4	Do.
Brackettville		Spofford, Tex	.66	15	25	9.34	Do.

[1] Controlled by Standard Oil Co.
[2] May be higher grade—only one reported—or includes charge for barrel.
[3] Correspondent says this is 120-degree oil "and no good."

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

TEXAS—Continued.

Town.	Population, 1909.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Bridgeport	900	Delivered		13.5	17.5	4	Waters-Pierce Oil Co.
Brownsville	6,305	do		16	18	2	Do.
Bryan	3,589	do		13	17	4	Do.
Burnet	1,003	do		15	20	5	Do.
Caldwell	1,535	do		13	20	7	Do.
Clarendon		do		[1]18	20	2	Do.
Clarksville	2,069	do		13.5	18	4.5	Do.
Collinsville	666	do		13	20	7	Do.
Columbus	1,824	do		[2]16			Do.
Corpus Christi	4,703	do		12	15	3	Do.
Corsicana	9,313	do		8	11	3	Do.
Dallas	42,638	do		10	12.5	2.5	Eagle Refining Co.
Do	42,638	do		[2]12	15	3	Waters-Pierce Oil Co.
Do	42,638	do		10	13	3	Do.
Detroit		do		[2]17	20	3	Do.
Eagle Pass		do		[3]20	25	5	Standard Oil Co.
Edna		do		13.5	18	4.5	Waters-Pierce Oil Co.
Ennis	4,919	do		12	15	3	Do.
Fort Worth	26,688	do		10	13	3	Do.
Do	26,688	do		10	13	3	Do.
Gainesville	7,874	do		12.5	15	2.5	Do.
Galveston	37,789	do		[2]13	17	4	Do.
Gatesville	1,865	do		12.5	15	2.5	Do.
Georgetown	2,790	do		12	18	6	Do.
Graham	878	do		[3]16.5	25	8.5	Do.
Granbury	1,410	do		15.5	20	4.5	Do.
Greenville	6,860	do		10	15	5	Do.
Hearne	2,129	do		13	15	2	Do.
Henrietta	1,614	do		[2]16	20	4	Do.
Hico	1,480	do		[2]16			Do.
Houston	44,633	do		10	15	5	Do.
Do	44,633	do		10	12	2	Do.
Huntsville	1,608	do		13	15	2	Do.
Italy	1,061	do		12.5	15	2.5	Do.
Kerrville	1,423	do		[3]17	20	3	Do.
Kyle		do		[2]15	20	5	Do.
Ladonia	1,409	do		12	15	3	Do.
Lando		do		13.5	16	2.5	Do.
Longview	3,591	do		14	20	6	Do.
Luling	1,349	do		12	16	4	Do.
McGregor	1,435	do		12			Do.
Mexia	2,393	do		12½	17	4.5	Do.
Midland		do		[3]20	25	5	Do.
Pilot Point		do		12	15	3	Do.
Port Arthur	1,900	do	5	14	17	2.5	Do.
San Antonio	53,321	do		12	14	2	Do.
Sherman	10,243	do		12			Do.
Tyler	8,069	do		13	15	2	Do.
Do	8,069	do		13	20	7	Do.
Victoria	4,010	do		[3]15	20	5	Do.
Waco	20,686	do		11½	15	3.5	Do.
Do	20,686	do		11½	15	3.5	Do.
Wichita Falls	2,480	do		13	17	4	Do.

[1] Higher grade; also sells Brilliant.
[2] Eupion oil; said to test 150°. Brilliant, the more commonly reported grade in this state is said to test 110°.
[3] Possibly higher grade; only one reported.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated*—Continued.

UTAH.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Brigham	2,859	Ogden	.9	21	24	2.1	Continental Oil Co.
Heber	1,534	Delivered		21	25	4	Do.
Kaysville	1,708	do		20	25	5	Do.
Lehi	2,719	do		21	25	4	Do.
Mount Pleasant	2,372	do		21	25	4	Standard Oil Co.
Park City	3,759	do		22	35	13	Continental Oil Co.
Pleasant Grove	2,460	do		21	23	2	Do.
Provo City	6,185	do		20			Do.
Salt Lake City	53,531	do		20	23	3	Do.
Smithfield	1,494	Ogden	1.56	21	25	2.44	Do.
Spanish Fork	2,735	Delivered		20	25	5	Do.
Springville	3,422	do		20	25	5	Do.

VERMONT.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Barton Landing	1,050	Boston, Mass	1¼	8¼	13	3.5	Leonard & Ellis.[2]
Bellows Falls	4,337	Delivered		8½	10	1.5	Standard Oil Co.
Bethel	1,611	do		11¼	13½	2.25	Do.
Bradford	614	do		10	14	4	Do.
Derby Line	297	do		8½	14	5.5	American Oil Works.
Hardwick	1,334	Boston, Mass	.9	7½	12	3.6	Standard Oil Co.
Hartford	3,817	Delivered		9½	13	3.5	Do.
Middleburg	1,897	do		9½	14	4.5	Do.
Montpelier	6,266	do		9½	14	4.5	Do.
Morrisville	1,262	do		9½	13	3.5	
Newport	1,874	do		10	14	4	Standard and American Oil Co.
Northfield	1,508	do		9½	13	3.5	Standard Oil Co.
Randolph	1,540	do		12½	15	2.5	Do.
Royalton	1,427	do		11	13	2	Do.
Rutland	11,499	do		8	10	2	Do.
Saint Albans	6,239	do		9½	12	2.5	Do.
Do	6,239	do		9½	13	3.5	Do.
Stowe	500	Waterbury	.44	10	15	4.56	Do.
Swanton	1,168	Delivered		9¾	12	2.25	Do.
Windsor	1,656	do		11¼	15	3.75	Standard Oil Co. and Independent Ref. Co.
Woodstock	1,284	Windsor	1	10	12	1	Independent Ref. Co.

VIRGINIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Buena Vista	2,388	Delivered		10	14	4	Standard Oil Co.
Danville	16,520	do		9½	12½	3	Do.
Farmville	2,471	do		10	12½	2.5	Do.
Fredericksburg	5,068	do		8¾	10	1.25	Do.
Hampton	3,441	Baltimore, Md	½	9¾	12	1.75	Southern Oil and Supply Co.
Leesburg	1,513	Delivered		9	12	3	Standard Oil Co.
Luray	1,147	do		9	12	3	Do.
Lynchburg	18,891	do		11	15	4	Do.
Marion	2,095	do		9	12	3	Do.
Newport News	19,635	do		9½	13	3.5	Do.
Norfolk	46,624	do		9	12	3	Do.
Petersburg	21,810	do		10	12	2	Do.
Portsmouth	17,427	do		9¾	12	2.25	Do.

[1] This company is controlled by the Standard Oil Company.
[2] Probably wholesale dealers.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

VIRGINIA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Richmond	85,050	Delivered		9¾	10	.25	Standard Oil Co.
Do	85,050	do		[1] 5		4	Standard Oil Co. and Southern Oil Co.
Winchester	5,161	do		6	8	[illegible]	Standard Oil Co.

WASHINGTON.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Ballard	4,568	Seattle	[illegible]	13½	17	3.25	Standard Oil Co.
Blaine	1,592	do	1¼	13½	18	3.25	Do.
Centralia	1,600	Tacoma	1	13½	20	5.50	Do.
Cheney	781	Spokane	0.62	19½	25	4.88	Do.
Davenport	1,000	do	1.1	19½	25	4.4	Do.
Ellensburg	1,737	Delivered		23½	28	4.5	Do.
Hoquiam	2,600	Aberdeen	½	15½	20	4	Do.
Ilwaco	584	Astoria, Oreg		14½	20	5.5	Do.
Montesano	1,194	Delivered		14	20	6	Do.
Olympia	4,082	do		15	18	3	Do.
Port Townsend	3,443	Seattle	1	13½	20	5.5	Do.
Pullman	1,308	Delivered		21	25	4	Do.
Seattle	80,671	do		13½	17	3.5	Do.
Snohomish	2,101	Seattle	1½	13½	20	5	Do.
Spokane	36,848	Delivered		20	25	5	Do.
Do	36,848	do		19½	25	5.5	Do.
Tacoma	37,714	do		13½	18	4.5	Do.
Do	37,714	do		13½	18	4.5	Do.

WEST VIRGINIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Beaver		Delivered		9¾	14	4.25	Atlantic Ref. Co.[2]
Clarksburg	4,050	do		8½	12	3.50	Do.
Shepherdstown	1,184	do		8	10	[illegible]	Standard Oil Co.
Wellsburg	2,588	do		7	10	[illegible]	Freedom Oil Co.
Weston	2,560	do		8¾	11	2.25	Atlantic Ref. Co.
Wheeling	38,878	do		9	10	1	Do.

WISCONSIN.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Appleton	15,085	Delivered		8¾	11	2.25	Standard Oil Co.
Arcadia	1,273	do		9½	12	2.50	Do.
Barron	1,493	do		9¾	14	4.25	Do.
Barronette		do		[3] 10¾	12	1.25	Do.
Beloit	10,436	do		[illegible]	12	4	Do.
Berlin	4,489	do		[illegible]	10	2	Do.
Do	4,489	do		8	10	[illegible]	Do.
Black River Falls	1,938	do		9½	12	2.50	Do.
Burlington	2,526	do		7	9	2	Do.
Cedarburg	1,626	do		[illegible]	10	1	Do.
Chilton	1,460	do		8	10	2	Do.
Darlington	1,808	do		9½	13	3.50	Do.
Delavan	2,244	do		8¾	11	2.25	Do.
Elkhorn	1,731	do		8	10	2	Do.
Elroy	1,685	do		9	10	1	Do.

[1] "A cut rate between oil companies; has been selling at 9 and 10 cents." Report of correspondent.
[2] This is controlled by the Standard Oil Company.
[3] Perfection—a standard grade.

TABLE I.—*Wholesale and retail prices of illuminating oil (150-degree test or less, the common lower grade, unless indicated)*—Continued.

WISCONSIN—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Grand Rapids	4,493	Delivered		9¾	12	2.25	Standard Oil Co.
Green Bay	18,684	do		8¾	11	2.25	Do.
Hartford	1,632	do		8¾	10	1.25	Do.
Horicon	1,376	do		8⅞	11	2.13	Do.
Hudson	3,259	do		10½	14	3.5	Do.
Janesville	13,185	do		8	12	4	Do.
Kenosha	11,606	do		8	10	2	Do.
Lancaster	2,403	do		9½	12½	3	Do.
Madison	19,164	do		8	10	2	Do.
Mauston	1,718	do		10	13	3	Do.
Marinette	16,195	do		9¾	13	3.25	Do.
Menomonie	5,655	do		9½	13	3.50	Do.
Milwaukee	285,315	do		8½	9	.50	Do.
Do	285,315	do		8	10	2	Do.
Mineral Point	2,991	do		9½	12	2.50	Do.
Necedah	1,209	do		9½	12	2.50	Do.
Oconto	5,646	do		9½	12½	3	Do.
Onalaska	1,368	do		9½	12	2.50	Do.
Prairie du Chien	3,232	do		9½	11	1.50	Do.
Princeton	1,202	do		9¼	12	2.75	Do.
Reedsburg	2,225	do		8¾	10	1.25	Do.
Richland Center	2,321	do		9½	12	2.50	Do.
Ripon	3,818	do		8	10	2	Do.
River Falls	2,008	do		10	14	4	Do.
Shawano	1,863	do		9½	12	2.50	Do.
Sheboygan	1,301	do		8¼	11	2.75	Do.
Sturgeon Bay	3,372	Milwaukee	0.7	10½	14	2.8	Do.
Waupun	3,185	do	1.76	9	12	1.24	Do.
Wausau	12,354	Delivered		9½	12	2.50	Do.
West Superior		do		7	12	5	Do.

WYOMING.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per gallon.	Wholesale price per gallon.	Retail price per gallon.	Excess above wholesale price, freight deducted, per gallon.	Maker.
Carbon	634	Cheyenne	3.6	16	30	10.4	Standard Oil Co. and Continental Oil Co.
Cheyenne	14,087	Delivered		16	20	4	Continental Oil Co.[1]
Laramie	8,207	do		19	22½	3.5	Do.
Do		do		18	25	7	Do.
Rock Springs	4,363	do		20	25	5	Do.
Sheridan	1,559	do		20	25	5	Do.

[1] This company is controlled by the Standard Oil Company.

TABLE II.—*Wholesale and retail prices of granulated sugar.*

ALABAMA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Anniston	9,695	Delivered		$5\frac{3}{4}$	$6\frac{1}{2}$	0.75	
Bessemer	6,358	New Orleans	22	$5\frac{1}{4}$	$7\frac{1}{2}$	2.03	American Sugar Ref. Co.
Columbia	1,132	Delivered		$5\frac{5}{8}$	7	1.375	Do.
Decatur	3,114	New Orleans	24	$5\frac{1}{10}$	6	.66	Do.
Dothan	3,275	Charleston	36	6	7	.64	
Evergreen	1,277	New Orleans	42	$5\frac{3}{4}$	7	.58	Do.
Florence	6,478	.....do	21	$5\frac{1}{4}$	$6\frac{1}{4}$	.79	Do.
Gadsden	4,282	Delivered		$5\frac{7}{10}$	$6\frac{1}{4}$	.55	Do.
Gate City		.....do		$5\frac{3}{4}$	7	1.25	
Girard	3,840	.....do		$5\frac{1}{2}$	7	1.50	
Huntsville	8,068	New Orleans	22	$5\frac{1}{4}$			Do.
Livingston	851	.....do	18	5	$6\frac{3}{4}$	1.57	Do.
Luverne	731	Montgomery	21	$5\frac{1}{2}$	$6\frac{3}{5}$	.89	
Madison	412	Nashville	32	$6\frac{7}{10}$	$7\frac{1}{2}$	.48	
Montgomery	30,346	New Orleans	18	$5\frac{3}{10}$	$5\frac{3}{4}$	.27	Henderson Sugar Ref. Co.
New Decatur	4,437	Memphis	17	$5\frac{5}{8}$	6	.205	American Sugar Ref. Co.
Oxford	1,372	Delivered		$5\frac{3}{8}$	6	.625	
Ozark	1,570	.....do		5.95	$6\frac{1}{2}$	.55	Do.
Pratt City	3,485	.....do		$5\frac{1}{2}$	$7\frac{1}{4}$	1.75	Do.
Successor		.....do		$5\frac{3}{8}$	$6\frac{1}{2}$	1.125	
Troy	4,097	.....do		5.85	7	1.15	Franklin Sugar Refinery.[2]
Tuscaloosa	5,094	New Orleans	20	$5\frac{3}{5}$	$6\frac{1}{3}$	.533	Henderson Sugar Ref. Co.
York Station	528	.....do	22	6	$6\frac{3}{4}$	.53	American Sugar Ref. Co.

ARKANSAS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Benton	898	Little Rock	14	$5\frac{3}{5}$	7.14	.90	
Bentonville	1,843	Delivered		5.65	6	.35	American Sugar Ref. Co.
Berryville	551	Eureka Springs	15	$5\frac{3}{4}$	$7\frac{1}{7}$	1.24	
Brinkley	1,648	Memphis	16	$5\frac{1}{2}$	6.66	1	Do.
Carlisle	212	Little Rock	30	5	$7\frac{1}{7}$	1.09	
Conway	2,003	New Orleans	20	$5\frac{7}{10}$	$6\frac{1}{2}$		Henderson Sugar Ref. Co.
Devall Bluff	605	Little Rock and Memphis.	20	$5\frac{1}{4}$	$6\frac{2}{3}$	1.21	American Sugar Ref. Co.
Fayetteville	4,061	New Orleans	30	$5\frac{4}{10}$			Do.
Fordyce	1,710	.....do	48	$5\frac{7}{8}$	$6\frac{1}{4}$	[1].105	
Fort Smith	11,587	Delivered		$5\frac{6}{10}$	$6\frac{1}{2}$	.90	Do.
Do.	11,587	.....do		5.62	7	1.38	
Greenwood	491	Fort Smith	12	5.65	$6\frac{2}{3}$	.89	Do.
Gurdon	1,045	Delivered		$5\frac{8}{10}$	$7\frac{1}{7}$	1.34	
Helena	5,550	New Orleans	10	5.15	6	.75	Henderson Sugar Ref. Co.
Hope	1,644	Delivered		$5\frac{8}{10}$	7	1.2	American Sugar Ref. Co.

[1] Loss.

[2] This company is a branch of the American Sugar Refining Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

ARKANSAS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Hot Springs	9,973	Memphis	32	$5\frac{3}{10}$	$6\frac{1}{4}$	0.63	American Sugar Ref. Co.
Do	9,973	Delivered	....	$6\frac{1}{4}$	$7\frac{1}{2}$	1.25	
Do	9,973	....do	....	$5\frac{7}{10}$	$6\frac{1}{4}$	.55	
Do	9,973	....do	....	$5\frac{3}{4}$	6	.25	Do.
Jonesboro	4,508	....do	....	$5\frac{1}{2}$	$6\frac{1}{4}$	.75	Do.
Little Rock	38,307	....do	....	$5\frac{6}{10}$	6	.4	Do.
Do	38,307	....do	....	$5\frac{3}{4}$	7	1.25	
Lonoke	951	Little Rock	10	5.63	7	1.27	
Malvern	1,582	New Orleans	[illegible]	$5\frac{3}{4}$	$6\frac{1}{4}$	.02	American and Henderson Sugar Ref. Cos.
Marianna	1,707	....do	23	5[1]	5.45[1]	.22	Do.
Mammoth Sp'g	717	Delivered	....	$5\frac{8}{10}$	$6\frac{1}{2}$	.70	American Sugar Ref. Co.
Nashville	928	....do	....	5.85	$6\frac{1}{2}$	.65	Henderson Sugar Ref. Co.
Paragould	3,324	....do	23	5.64	$6\frac{1}{4}$	1.11	American Sugar Ref. Co.
Prescott	2,005	....do	16	5.55	$6\frac{1}{2}$	.95	Do.
Siloam Springs	1,708	....do	30	$5\frac{6}{10}$	6.66	.86	Do.
Springdale	1,251	Fort Smith	14	$5\frac{9}{10}$	$7\frac{1}{2}$	1.46	Do.
Texarkana	4,914	Delivered	....	$5\frac{1}{2}$	7	1.50	
Warren	954	New Orleans	42	6	7	....	Do.

CALIFORNIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Alameda	16,464	San Francisco	5	$5\frac{3}{4}$	$6\frac{1}{4}$	.45	Western Sugar Refinery[2] (Spreckels).
Bakersfield	4,836	....do	68	5.42	$6\frac{1}{4}$	.15	Do.
Do	4,836	....do	73	$5\frac{3}{4}$	7	.52	
Chico	2,640	....do	25	6	7	.75	Western Sugar Refinery.
Colusa	1,441	Sacramento and San Francisco.	20	$5\frac{3}{4}$	7	1.05	Do.
Coronado	935	Delivered	....	[illegible]	$6\frac{1}{2}$	.5	Do.
Eureka	7,327	San Francisco	5	5.55	6	.4	Do.
Do	7,327	Delivered	....	$5\frac{8}{10}$	$7\frac{1}{7}$	1.34	Do.
Ferndale	846	San Francisco	$22\frac{1}{2}$	$5\frac{6}{10}$	7	1.175	Do.
Fresno	12,470	Delivered	....	6	$6\frac{1}{4}$	.25	
Grass Valley	4,719	Sacramento	40	5.65	$7\frac{1}{2}$	1.45	Western Sugar Ref. Co.
Jamestown	....	San Francisco	34	$5\frac{5}{10}$	7	1.16	Do.
Lorin	....	....do	$8\frac{3}{4}$	5.55	5.85	.21	Do.
Los Angeles	102,479	Delivered	....	$5\frac{9}{10}$	$6\frac{1}{4}$	.35	Do.
Do	102,479	....do	....	5.92	$6\frac{1}{4}$	.33	American Sugar Ref. Co.
Marysville	3,497	San Francisco	15	$5\frac{9}{10}$	$6\frac{3}{4}$	.7	Western Sugar Ref. Co.
Mendocino City	....	....do	12	$5\frac{3}{4}$	$6\frac{3}{4}$	.88	Do.
National City	1,086	San Diego	5	$5\frac{9}{10}$	$6\frac{1}{4}$	.4	Do.
Oakland	66,960	Delivered	....	5.65	6	.35	Do.
Oroville	554	Sacramento	24	5.59	6	.17	Do.
Pasadena	9,117	Los Angeles	8	6.17[3]	$6\frac{2}{3}$	.41	Do.
Do	9,117	....do	6	6	7	.93	
Placerville	1,748	Sacramento	30	5.65	$6\frac{1}{2}$	.55	Do.
Pleasanton	1,100	San Francisco	9	$5\frac{3}{4}$	$5\frac{15}{17}$	.04	Do.
Sacramento	29,282	Delivered	....	5.65	5.65	....	Do.

[1] Wholesale dealer.
[2] This company is controlled by the American Sugar Refining Company.
[3] Compare Los Angeles price above.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

CALIFORNIA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, percwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Sacramento	29,282	Delivered	10	5¾	5 9/10	0.05	Western Sugar Ref. Co.[1]
San Jose	21,500	San Francisco	5	5.65	6¼	.1	Do.
San Rafael	3,878	do	7	5¾	6.65	.83	Do.
Rialto		Delivered		5 8/10	6¼	.45	Do.
San Francisco	342,782	do		5.55	5¾	.2	Do.
Do	342,782	do		5.65	5.75	.1	Do.
Santa Cruz	5,659	San Francisco	.35	5.55	6¼	.35	Do.
Santa Rosa	6,673	do		5¾	6	.25	Do.
Stockton	17,506	do	7½	5.55	6	.375	Do.
Vallejo	7,965	do	5	5.65	6	.3	Do.
Ventura	2,470	do	22½	5.55			Do.
Visalia	3,085	do	39	5.55	6¼	.31	Do.
Woodland	2,886	do	22½	5.55	6	.225	Do.

COLORADO.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, percwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Boulder	6,150	Denver	10	6	6⅗	.56	Western Sugar Ref. Co.[1]
Buena Vista	1,006	Delivered		6¼	7½	.8	Do.
Central City	3,114	Denver	33	6	7	67	Do.
Denver	133,859	Delivered		6	6	0	Do.
Fort Collins	3,054	Denver	32	6⅕	6½	—.02	
Golden	2,152	do	10	6	6½	.40	Do.
Greeley	3,023	do	15	6⅛	6⅗	.38	Do.
La Junta	2,513	Delivered		6	7	1	American Beet Sugar Co.
Las Animas	1,192	La Junta	15	5.85	7 1/7	1.14	Arkansas Valley Sugar Beet Co.

CONNECTICUT.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, percwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Bristol	6,268	Delivered		5.39	6¼	.86	
Bridgeport	70,996	New York	8	5.34	6¼	.83	American Sugar Ref. Co.
Brooklyn	2,358	Providence	8	5.63	6½	.79	Standard Sugar Co.[1]
Danbury	16,537	New York	10	5½	6	.4	American Sugar Ref. Co.
Greenwich	2,420	do	6	5.35	6	.584	Do.
Meriden	24,296	Delivered		5.62	6⅝	1.005	Do.
Do	24,296	do		5.37	7	1.63	
Milford	3,783	New York	10	5.52	6 14/31	.83	Do.
Mystic		Delivered		5.73	6¼	.52	Do.
New Britain	25,998	do		5.39	6½	1.11	Mollenhauer Sugar Ref. Co.
Do	25,998	New Haven	10	5¼	6	.65	American Sugar Ref. Co.
North Grosvenordale.		Boston	12	5½	6¼	.63	Revere Sugar Ref. Co.[1]
Norwich	17,251	Delivered		5 3/10	6	.7	Boston Ref. Co.[1]
Seymour	3,541	New Haven	12	5.37	5 15/17	.39	American Sugar Ref. Co.
Sharon	1,982	New York	16	5½	6	.34	
South Manchester.		Hartford	6	5¼	6⅛	.315	Do.
Southport		New York	8	5 6/10	6¼	.57	
Stafford Springs	2,460	Delivered		5.67	6⅓	.66	
Stamford	15,997	do		5¼	6	.75	Do.

[1] These companies are controlled by the American Sugar Refining Company.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

CONNECTICUT—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Stonington	2,278	Delivered		5.61	$6\frac{1}{4}$	0.64	American Sugar Ref. Co.
Stratford	3,657	New York	9	5.46	$6\frac{1}{2}$	.95	
Taftville		Delivered		5.45	$6\frac{1}{4}$	.8	Standard Sugar Refinery.[1]
Waterbury	47,859	New York		$5\frac{1}{2}$	$5\frac{3}{4}$	.25	American Sugar Ref. Co. and Arbuckle Bros.

DELAWARE.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Camden	536	Philadelphia	$6\frac{1}{4}$	$5\frac{1}{4}$	6	.68	Franklin Sugar Ref. Co.[1]
Delaware City	1,132	....do	8	$5\frac{8}{10}$	$6\frac{1}{2}$	.61	Do.
Frederica	706	....do	8	$5\frac{3}{4}$	7	1	Do.
Georgetown	1,658	Wilmington	24	$5\frac{1}{2}$	7	1.25	Do.
Lewes	2,259	Delivered		$5\frac{7}{10}$	6	.3	American Sugar Ref. Co.
Wilmington	76,508	....do		5.33	6	.67	Franklin Sugar Ref. Co.[1]

FLORIDA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Gainesville	3,633	New York City	45	$5\frac{8}{10}$	$6\frac{1}{2}$	.25	American Sugar Ref. Co.
Lake City	4,013	Charleston	35	$5\frac{1}{2}$	6	.15	
Miami	1,681	New York	79	5.45	$6\frac{2}{3}$	.42	Do.
Milton	1,204	Pensacola	6	$5\frac{4}{10}$	7	1.53	
Monticello	1,076	Charleston	35	$5\frac{1}{2}$	7	1.15	Do.
Palatka	3,301	Jacksonville	12	5.65	7	1.23	American Sugar Ref. Co. and Arbuckle Bros.
Pensacola	17,747	New Orleans	15	5.45	$5\frac{3}{4}$	.15	Henderson Sugar Refinery.
Port Tampa City	1,367	Tampa	7	$5\frac{3}{4}$	7	1.18	American Sugar Ref. Co.
St. Augustine	4,272	New York	30	$5\frac{1}{2}$	$6\frac{1}{4}$	.45	W. J. McCahan & Co.

GEORGIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Americus	7,674	New York and New Orleans.	33	$5\frac{5}{8}$	$6\frac{1}{4}$	.295	American Sugar Ref. Co.
Augusta	39,441	Delivered		5.35	$6\frac{3}{4}$	1.40	Do.
Barnesville	3,036	New York	46	$5\frac{6}{10}$	$6\frac{1}{2}$	.44	Do.
Beulah		Delivered		$6\frac{1}{4}$	7	.75	Do.
Brunswick	9,081	....do		$5\frac{1}{2}$	$6\frac{1}{4}$	.75	New York Sugar Ref.
Columbus	17,614	....do		$5\frac{3}{4}$	6	.25	American Sugar Ref. Co.
Conyers	1,605	Atlanta	8	$5\frac{3}{4}$	$6\frac{1}{4}$	.43	
Cuthbert	2,641	Delivered		5.65	$6\frac{1}{4}$	.60	Do.
Dublin	2,987	....do		$5\frac{3}{10}$	6	.70	Do.
Eastman	1,235	....do		$5\frac{3}{4}$	$6\frac{1}{2}$	.75	
Fitzgerald	1,817	....do		6	$6\frac{3}{4}$	.75	Franklin Refinery and American Sugar Ref. Co.
Hartwell	1,672	....do		$5\frac{3}{4}$	$6\frac{1}{4}$	.50	
Macon	23,272	....do		5.67	6	.33	American Sugar Ref. Co.
Madison	1,992	Atlanta	$12\frac{1}{2}$	$5\frac{5}{8}$	$6\frac{1}{4}$	.50	Do.
Milledgeville	4,219	Delivered		$5\frac{3}{4}$	$6\frac{3}{4}$	1	Do.

[1] This company is controlled by the American Sugar Refining Company.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

GEORGIA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Newnan	3,654	Atlanta	13	5¾	6½	0.62	Henderson Sugar Refinery.
Sparta	1,150	Augusta or Macon	25	5.65	7	1.10	
Thomasville	5,322	New York	61½	5¼	6¼	.38	American Sugar Ref. Co.
Tifton		Charleston	31	5½	7	1.19	Arbuckle Bros.
Woodbury	566	Macon	21	5⅜	6⅛	.54	American Sugar Ref. Co.
Waresboro	269			[illegible]	8	2	
Waynesboro	2,030	Delivered		5.39	7	1.61	McCahan Sugar Refinery.

IDAHO.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Caldwell	997	San Francisco	109	5½	7½	.91	Western Sugar Ref. Co.[1]
Coeur d'Alene	508	Spokane	14	6 4/10	6¾	.21	Western Sugar Ref. Co. and Washington Sugar Refinery.
Genesee	731	Delivered		6¼	7	.75	Western Sugar Ref. Co.
Idaho City	390	Boise	100	6½	8	.50	American Sugar Ref. Co.
Idaho Falls	1,262	Salt Lake City	50	6¼	7 1/7	.39	Lehi Sugar Factory.
Moscow	2,484	Delivered		6½	7	.50	
Salmon City	398	San Francisco	225	5.35	9	1.40	Western Sugar Ref. Co.[1]
Wardner	2,278	Spokane	42	6½	7	.08	Do.

ILLINOIS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Amboy	1,826	Delivered		5.62	6	.38	American Sugar Ref. Co.
Ashland	1,201	do		5.62	6¼	.63	Do.
Astoria	1,684	do		5.82	6⅗	.74	Do.
Barrington	1,162	do		5⅜	6¼	.65	American Sugar Ref. Co. and Mollenhauer Sugar Ref. Co.
Belleville	17,484	St. Louis	10	5.55	6¼	.60	American Sugar Ref. Co.
Bement	1,484	Chicago	17	5.91	7	.92	American Sugar Ref. Co. and Franklin Sugar Refinery.[1]
Bloomington	23,286	Delivered		5.75	6	.25	
Braceville	1,669	do		5.66	6	.34	American Sugar Ref. Co.
Bunkerhill	1,279	St. Louis	13	5.35	6¼	.77	Do.
Cairo	12,566	do	14½	5½	6	.36	
Do	12,566	Delivered		5.28	6⅗	.60	Do.
Canton	5,664	do		5.83	6¼	.42	Franklin Sugar Refinery.[1]
Carmi	2,939	do		5.89			
Carrollton	2,355	Chicago	17	5.46	[illegible]	.37	American Sugar Ref. Co.
Centralia	6,721	Delivered		5.53	6½	.97	
Chatsworth	1,038	do		5.83	6¼	.42	American Sugar Ref. Co. and Mollenhauer Sugar Ref. Co.

[1] This company is controlled by the American Sugar Refining Company.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

ILLINOIS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Chenoa	1,512	Delivered		5.86	6¼	0.39	American Sugar Ref. Co.
Chicago	1,698,575	do		$5\frac{8}{10}$			
Do	1,698,575	do		5.72	6	.28	Do.
Do	1,698,575	do		5.47	6	.53	
Do	1,698,575	do		5.47	6	.53	Do.
Do	1,698,575	do		5.47	5½	.03	Do.
Do	1,698,575	do		5.72	6	.28	Do.
Do	1,698,575	do		5.47	5½	.03	
Do	1,698,575	Chicago	10	5.72	6	.18	Do.
Chillicothe	1,699	Peoria	8.27	5.85	6¼	.31	Do.
Coal City	2,607	Chicago	12	5¾	6¼	.38	Mollenhauer Sugar Ref. Co.
Columbia	1,197	St. Louis	7	5.35	6	.57	
Danville	16,354	Delivered		5.47	$5\frac{15}{17}$	.41	American Sugar Ref. Co.
Delavan	1,304	do		5.88	6½	.62	
Duquoin	4,353	St. Louis	16	5.35	6½	.99	
Earlville	1,122	Delivered		5.61	6½	.89	Do.
Edwardsville	4,157	St. Louis	10	5.65	6¼	.50	Do.
Effingham	3,774	Terre Haute	15	5.54	6	.31	
Eureka	1,661	Delivered		5.85	6¼	.40	American Sugar Ref. Co. and Franklin Sugar Refinery.[1]
Forreston	1,047	Chicago	14	5.63	6¼	.48	
Galesburg	18,607	Delivered		$5\frac{8}{10}$	6¼	.40	American Sugar Ref. Co.
Geneva	2,446	Chicago	10.15	5.59	6	.41	Do.
Golconda	1,140	Delivered		5.89	7	1.11	
Grayville	1,948	Vincennes	17	5.92	6	—.06	
Greenfield	1,085	St. Louis	13	5.35	6¼	.77	Do.
Greenup	1,085	Delivered		5.59	6¾	1.16	Do.
Griggsville	1,404	do		5.87	6¼	.38	Do.
Hillsboro	1,937	do		5.35	6.35	1	
Hoopeston	3,823	do		5½	5⅞	.125	Do.
Jacksonville	15,078	do		$5\frac{8}{10}$	6¼	.45	American Sugar Ref. Co. and Franklin Sugar Refinery.[1]
Jerseyville	3,517	Alton and St. Louis	8.27	5½	5¾	.17	
Kewanee	8,382	Delivered		5.63	6¼	.62	American Sugar Ref. Co. and Arbuckle Bros.
Kinmundy	1,221	Chicago and Terre Haute.	17	$5\frac{3}{10}$	6⅗	1.17	
Lacon	1,601	Delivered		$5\frac{8}{10}$	$5\frac{15}{17}$	.01	American Sugar Ref. Co.
Lebanon	1,812	St. Louis	8	5.65	6⅗	.94	
Lewistown	2,504	Delivered		5.63	6¼	.62	
Marine	666	St. Louis	12	$5\frac{6}{10}$	6¼	.53	
Marion	2,510	do	15	5½	7	1.35	Do.
Marseilles	2,559	Delivered		5¾	6	.25	American Sugar Ref. Co. and Franklin Sugar Refinery.[1]
Mattoon	9,622	do		5.89	$5\frac{15}{17}$	[3].01	Franklin Sugar Refinery.[1]
Monmouth	7,460	Burlington, Iowa	9.58	5.87	6	.02	American Sugar Ref. Co.
Mount Carmel	4,311	Delivered		5.87	6¼	.38	
Milford	1,077	Chicago	12½	5.59	6¼	.53	Do.
Minonk	2,545	Chicago and Peoria.	9	5.87	6.25	.24	Do.

[1] This company is controlled by American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

ILLINOIS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Morrison	2,308	Chicago	17	$5\frac{6}{10}$	6	0.23	American Sugar Ref. Co.
Mount Carroll	1,965	Delivered		$5\frac{9}{10}$	$6\frac{1}{4}$	0.35	Do.
Mound City	2,705	St. Louis	14	$5\frac{6}{10}$	$6\frac{1}{4}$	.51	Do.
Naperville	1,699	Delivered		5.82	6	.18	
Nauvoo	1,321	do		5.68	5.68		
Onarga	1,270	do		$5\frac{6}{10}$	$6\frac{2}{3}$	1.07	Do.
Oregon	1,577	do		8.6	$5\frac{15}{17}$	.02	American Sugar Ref. Co. and Mollenhauer Sugar Ref. Co.
Ottawa	10,588	do		$5\frac{6}{10}$	6	.40	American Sugar Ref. Co.
Peoria	56,100	do		5.58	$6\frac{3}{8}$	.80	Do.
Peotone	1,003	Chicago	10.55	$5\frac{1}{4}$	$5\frac{1}{2}$	.14	
Savanna	3,325	Delivered		5.69	6	.36	Do.
Sumner	1,268	do		5.85	$7\frac{1}{7}$	1.29	Do.
Taylorville	4,248	do		5.61	6	.39	American Sugar Ref. Co. and Franklin Sugar Refinery.[1]
Upper Alton	2,373	do		5.79	7	1.21	
Vandalia	2,665	Terre Haute	19	$5\frac{6}{10}$	$6\frac{1}{4}$	.46	
Virden	2,280	Delivered		5.87	$6\frac{1}{4}$	.38	American Sugar Ref. Co. and Mollenhauer Ref. Co.
Virginia	1,600	do		$5\frac{7}{10}$	$7\frac{1}{5}$	1.5	American Sugar Ref. Co.
Warren	1,327	do		5.62	5.62		Do.
Warsaw	2,335	do		5.66	6	.34	
Wheaton	2,345	Chicago	9	5.56	6	.35	American Sugar Ref. Co. and Franklin Sugar Refinery.[1]
Whitehall	2,030	Delivered		$5\frac{1}{2}$	$6\frac{1}{2}$	1	American Sugar Ref. Co.
Wilmette	2,300	Chicago	7	5.86	6	.07	American Sugar Ref. Co. and Mollenhauer Sugar Ref. Co.
Woodstock	2,502	do	11	5.58	$5\frac{15}{17}$	.19	American Sugar Ref. Co.
Wyoming	1,277	Delivered		$5\frac{6}{10}$	6	.4	Do.
Yorkville	413	Chicago	11.28	5.58	$6\frac{2}{5}$	.71	American Sugar Ref. Co. and Franklin Sugar Refinery.[1]

INDIANA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Albion	1,324	Toledo	17	5.73	$6\frac{1}{2}$	.60	American Sugar Ref. Co.
Alexandria	1,721	Delivered		5.85	$6\frac{1}{2}$	.65	Do.
Angola	2,141	Toledo	14	$5\frac{3}{4}$	6	.11	Do.
Attica	3,005	Delivered		5.78	7	1.22	Do.
Auburn	3,396	Toledo	14	5.62	$6\frac{1}{2}$	.74	Do.
Batesville	1,384	Cincinnati		$5\frac{1}{2}$	6	.50	Do.
Bedford	6,115	Delivered		5.93	$6\frac{1}{2}$	.57	Do.
Do.	6,115	Cincinnati	16	$5\frac{6}{10}$	$6\frac{1}{4}$	.49	Do.
Bloomfield	1,588	Delivered		5.67	7	1.33	Do.
Bourbon	1,187	Chicago	15	$5\frac{7}{10}$	$6\frac{1}{2}$	.65	Do.
Brazil	7,786	Delivered		5.83	$6\frac{1}{4}$	.42	Do.
Brookston	949	Chicago	13	5.71	$6\frac{1}{4}$	.41	Do.
Butler	2,063	Delivered		5.59	$6\frac{1}{2}$	.91	Do.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

INDIANA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Cannelton	2,188	Delivered		5.55	6	0.45	American Sugar Ref. Co. and Arbuckle Bros.
Charlestown	915	do		5.85	6½	.65	
Columbus	8,130	do		5.52	6	.48	American Sugar Ref. Co.
Connersville	6,836	do		5.58	6	.42	Do.
Crawfordsville	6,649	New York	29	5½	$5\frac{22}{25}$	.09	Do.
Crownpoint	2,336	Delivered		$5\frac{8}{10}$	6¼	.45	
Delphi	2,135	Indianapolis	14	5.52	6½	.84	Do.
Dublin	698	Delivered		5.54	6¼	.71	American Sugar Ref. Co. and Arbuckle Bros.
East Chicago	3,411	Chicago	7	5.77	6	.16	American Sugar Ref. Co.
Edinburg	1,820	Indianapolis	8	5.45	6¼	.72	Do.
Elwood	12,950	Muncie	7	5.79	6¾	.89	Do.
Elkhart	15,184	Toledo	16	5.78	6¼	.31	Do.
Fort Wayne	45,115	Delivered		5.57	6	.43	Do.
Do	45,115	do		5.72	6	.28	Do.
Do	45,115	do		5.82	6½	.68	Do.
Greencastle	3,661	Indianapolis	14	[1]5.16	7	[1]1.70	Arbuckle Bros.
Greenfield	4,489	Delivered		5.52	6	.48	American Sugar Ref. Co.
Greensburg	5,034	do		5.55	6	.45	American Sugar Ref. Co. and Arbuckle Bros.
Hammond	12,376	Chicago	3	5.57	6	.40	American Sugar Ref. Co.
Do	12,376	Delivered		5.67	6½	.83	Do.
Hartford City	5,912	do		5.73	6¼	.52	Do.
Huntington	9,491	do		5.83	6¼	.42	Do.
Indianapolis	169,164	do		5.57	6⅔	1.09	Do.
Do	169,164	do		5.57	6¼	.68	Do.
Do	169,164	do		5.58	6	.42	Arbuckle Bros.
Jeffersonville	10,774	do		5.85	6¼	.40	Arbuckle Bros. and American Sugar Ref. Co.
Knightstown	1,942	New York		5.58	6½		American Sugar Ref. Co.
Lawrenceburg	4,326	Delivered		5½	[illegible]	.50	
Madison	7,835	do		5.85	6½	.65	Do.
Michigan City	1,485	do		5.84	6½	.66	Do.
Middletown	1,801	do		5.81	6¼	.54	Arbuckle Bros.
Monticello	2,107	do		5.58	6½	.92	American Sugar Ref. Co.
Mount Vernon	5,132	Indianapolis	17	5½	6	.33	Do.
Nappanee	2,208	Delivered		5.83	6	.17	Do.
Oakland City	1,991	do		5.98	7	1.02	Do.
Orleans	1,236	do		5.68	7	1.32	
Plymouth	3,656	do		5.83	6¼	.42	Do.
Richmond	18,226	do		5.74	6½	.76	Do.
Do	18,226	do		5.49	5½	.01	American Sugar Ref. Co. and Arbuckle Bros.
Rockport	2,882	do		5.84	7	1.16	American Sugar Ref. Co. and Boston Ref. Co.[2]
Seymour	6,445	do		5.60	6¼	.65	American Sugar Ref. Co. and Arbuckle Bros.
South Bend	35,999	do		5.53	6¼	.72	American Sugar Ref. Co.

[1] Doubtful figure.

[2] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

INDIANA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Sullivan	3,118	Delivered		5.61	6¼	0.64	
Terre Haute	36,673	...do		$5\frac{6}{10}$	7	1.40	Arbuckle Bros.
Tipton	3,764	Indianapolis	12	5.56	6½	.82	American Sugar Ref. Co.
Valparaiso	6,280	Delivered		$5\frac{4}{7}$	6¼	.70	Do.
Vincennes	10,249	...do		5.55	[illegible]	.45	Franklin Sugar Ref. Co.[1]
Do	10,249	...do		5.62	6¼	.63	American Sugar Ref. Co. and Arbuckle Bros.
Wabash	8,618	...do		5.66	6¼	.59	American Sugar Ref. Co.
Winamac	1,684	...do		5.61	6	.39	Do.
Winchester	3,705	...do		5.73	6	.27	American Sugar Ref. Co. and Mollenhauer and Arbuckle Bros.

IOWA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Atlantic	5,046	Delivered		6	6		Franklin Sugar Refinery.[1]
Anita	986	...do		6	6½	.5	
Audubon	1,866	...do		5.81	6⅔	.86	American Sugar Ref. Co. and Arbuckle Bros.
Bellevue	1,607	...do		5⅔	6¼	.58	American Sugar Ref. Co and Franklin Sugar Refinery.[1]
Bloomfield	2,105	...do		5¾	6½	.75	American Sugar Ref. Co.
Boone	8,880	Chicago	29	5.71			Do.
Carroll	2,882	Delivered		5.79	6⅔	.88	Do.
Cedar Rapids	25,656	...do		5.89	6	.11	American Sugar Ref. Co. and National Sugar Ref. Co.
Do	25,656	...do		5.64	6	.36	American Sugar Ref. Co.
Centerville	5,256	...do		5.96	6⅔	.71	Do.
Clarinda	3,276	...do		6.04	6¼	.21	Do.
Clinton	22,698	...do		5.58	6¼	.67	Do.
Do	22,698	Chicago	17	5.58	6	.25	Do.
Cresco	2,806	Delivered		5.71	6¼	.54	Do.
Davenport	35,254	...do		5.85	6	.15	Do.
Decorah	3,246	Chicago and Dubuque.	25	5.71	6	.04	
Denison	2,771	Delivered		$5\frac{8}{10}$	6¼	.45	Do.
Des Moines	62,139	...do		5.87	6	.13	Do.
Do	62,139	...do		5.69	6	.31	Franklin Sugar Refinery.[1]
Dubuque	36,297	...do		5⅛	6	.05	American Sugar Ref. Co.
Eldon	1,850	...do		5.69	6½	.81	Do.
Elkader	1,321	...do		5.94	6½	.31	Franklin Sugar Refinery.[1]
Fairfield	4,689	?	11	5.68	6¼	.46	American Sugar Ref. Co.
Fort Madison	9,278	Delivered			6⅔		Do.
Greenfield	1,300	...do		6.03	6⅔	.64	

[1] This company is controlled by the American Sugar Refining Company.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

IOWA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Griswold	900	Delivered		6.05	6¾	0.70	
Humboldt	1,474	....do		6.04	6¼	.21	American Sugar Ref. Co.
Independence	3,656	....do		5.65	6¼	.60	Do.
Indianola	3,261	....do		5.99	6¼	.26	American Sugar Ref. Co. and Mollenhauer Sugar Ref. Co.
Iowa City	7,987	....do		5.65	6	.35	
Jefferson	2,601	....do		6.04	6.15	.11	American Sugar Ref. Co.
Knoxville	3,131	Chicago and Des Moines.	28	5.69	6¼	.28	
Lansing	1,438	Dubuque and La Crosse.	17	$5\frac{7}{10}$	6¼	.38	American Sugar Ref. Co. and Mollenhauer Sugar Ref. Co.
Leon	1,905	Ottumwa	$11\frac{8}{10}$	5.75	7¼	1.39	
Lyons		Delivered		5.58	6¼	.67	American Sugar Ref. Co.
Malvern	1,166	....do		6.06	6¼	.19	
Manchester	2,887	....do		5.95	6¼	.30	American Sugar Ref. Co. and Franklin Sugar Refinery.[1]
Mapleton	1,099	....do		6.08	6⅔	.59	
Maquoketa	3,777	....do		5.95	6	.05	American Sugar Ref. Co.
Muscatine	14,073	....do		5.83	6	.17	Do.
Newton	3,682	....do		5.77	6¼	.48	American Sugar Ref. Co. and Arbuckle Bros.
Oelwein	5,142	....do		5.94	6¼	.31	American Sugar Ref. Co.
Onawa	1,933	....do		6.05	7	.95	Franklin Sugar Refinery.[1]
Oskaloosa	9,212	....do		6	6½	.5	
Shenandoah	3,573	....do		6.02	6¼	.23	American Sugar Ref. Co. and Western Sugar Refinery.[1]
Sigourney	1,952	Rock Island	11	5.89	6½	.50	
Vinton	3,499	Delivered		5.94	6¼	.31	
Waukon	2,153	....do		5.94	6⅔	.72	American Sugar Ref. Co.

KANSAS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Abilene	3,507	Kansas City	20	5¾	6⅔	.71	American Sugar Ref. Co. and Western Sugar Refinery.[1]
Argentine	5,878	Delivered		5½	9	3.50	American Sugar Ref. Co.
Arkansas City	6,140	....do		5¾	6	.25	Do.
Atchison	15,722	....do		5⅛	6¼	.25	
Do	15,722	....do		5.55	6	.45	
Augusta	1,197	....do		5¾	6	.25	New Orleans Sugar Ref. Co.[1]
Belleville	1,833	Kansas City, Topeka, and Lincoln.	30–24–26	5½	6¼	.45	
Burlingame	1,436	Kansas City and Topeka.	20–13	6	6⅔	.46	Western Sugar Ref. Co.[1]
Concordia	3,401	Kansas City	30	$6\frac{1}{10}$	6⅔	.26	American Sugar Ref. Co.
Emporia	8,223	Delivered		5.94	6¼	.31	Do.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

KANSAS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Girard	2,473	Delivered		5.85	6⅔	0.81	American Sugar Ref. Co.
Goodland	1,059	do		6 4/10	6¾	.35	Do.
Herington	1,607	Topeka	14	6	6¼	.11	
Holton	3,082	Delivered		5 7/10	6½	.80	
Junction City	4,695	do		6 1/10	6⅔	.56	Do.
Kingman	1,785	Wichita	12	5.87	6⅔	.66	Do.
Leavenworth	20,735	Delivered		5.55	6	.45	
Do.	20,735	do		5 8/10	5 15/17	.08	
Marion	1,824	do		6	6¼	.25	
McPherson	2,996	Hutchinson	20	5.94	6¼	.11	
Minneapolis	1,727	Delivered		6 2/10	6⅔	.46	Mollenhauer Sugar Refinery.
Neodesha	1,772	do		6.05	6½	.45	
Newton	6,208	do		5.94	6¼	.31	New Orleans Sugar Ref. Co.[1]
Osage City	2,792	do		5¾	6¼	.25	Mollenhauer Sugar Refinery.
Oswego	2,208	do		5¾	6½	.75	American Sugar Ref. Co.
Ottawa	6,934	do		5.65	6¼	.60	
Do.	6,934	do		5.89	6¼	.36	Western Sugar Ref. Co.[1]
Paola	3,144	Kansas City	14	5.91	6	—.05	Mollenhauer Sugar Ref. Co.
Parsons	7,682	Delivered		5.89	5 15/17		
Peabody	1,369	do		6	6¼	.25	Western Sugar Ref. Co.
Pittsburg	10,112	do		5 8/10	6⅔	.86	American Sugar Ref. Co.
Pleasanton	1,097	do		5.71	6¼	.54	Western Sugar Ref. Co.
Sabetha	1,646	Atchison	15	6	6⅔	.51	Do.
St. Marys	1,390	Delivered		6	6		American Sugar Ref. Co.
Topeka	33,608	do		5.64	6	.36	
Do.	33,608	do		5.65	5 15/17	.23	
Washington	1,575	Omaha	25½	5.81	6⅔	.60	
Wichita	24,671	Delivered		5.64	6¼	.61	Mollenhauer Sugar Ref. Co.

KENTUCKY.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Augusta	1,718	Cincinnati	8	5½	6	.42	American Sugar Ref. Co.
Berea	762	Delivered		5½	6¼	.75	Do.
Calhoun	631	Louisville	43	6.26	7	.31	Do.
Campbellville	1,341	Evansville, Ind.	10	5.98	6⅔	.59	Arbuckle Bros.
Cynthiana	3,257	Cincinnati	12	5⅖	6½	.98	Do.
Danville	4,285	Delivered		5.95	6¾	.80	Do.
Elizabethtown	1,861	New Orleans	40	5.44	6	.16	Do.
Eminence	1,018	Louisville	18	5.65	6	.17	
Flemingsburg	1,268	Cincinnati	23	5 7/10	6¼	.32	
Frankfort	9,487	Lexington	15	5.59	6¼	.53	American Sugar Ref. Co.
Greenville	1,051	New Orleans	33	5.33	6¼	.59	
Henderson	10,272	Delivered		5.63	6	.37	
Hopkinsville	7,280	Louisville	32	5 8/10	6¼	.85	Do.
London	1,147	New Orleans	52	5.28	7	1.20	T. J. Henderson.
Louisville	204,731	Delivered		5.35	5¾	.40	American Sugar Ref. Co.

[1] This company is controlled by American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

KENTUCKY—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Louisville	204,731	Delivered		5.55	6¼	0.70	
Do	204,731	do		5 8/10	6	.20	
Do	204,731	do		5.35	5 5/9	.21	
Murray	1,822	do		6	7	1	
Morganfield	2,046	do		6	6½	.5	Superior Refining Co.[1]
Newport	28,301	do		5.35	6	.65	Arbuckle Bros.
Owensboro	13,189	do		5¼	6	.75	American Sugar Ref. Co.
Paducah	19,446	do		5.88	6½	.62	Do.
Do	19,446	do		5.63	6¼	.62	Atlantic Sugar Refinery.[1]
Paris	4,603	do		5¾	6	.25	American Sugar Ref. Co.
Scottsville	824	do		6⅕	7	.80	
Shelbyville	3,016	do		6.06	6¼	.19	Do.
Somerset	3,384	do		6.18	7	.82	Do.
Uniontown	1,532	New Orleans	23	5.05	6½	1.22	

LOUISIANA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Amite	1,547	New Orleans	25	5¼	6⅔	1.16	
Houma	3,212	Delivered		5⅛	6¼	1	Henderson Refinery
Jennings	1,539	New Orleans	24–28	5.33	6⅔	1.09	American Sugar Ref. Co. and Henderson Refinery.
Lake Providence	1,256	do	15	5½	6½	.85	American Sugar Ref. Co.
Mandeville	1,029	do	7	6½	8	1.43	New Orleans Ref. Co.[1]
Mansfield	847	Shreveport	15	5½	7	1.35	
Monroe	5,428	Delivered		5⅜	6	.625	
New Orleans	287,104	do		5 1/10	6	.90	American Sugar Ref. Co. and Henderson Refinery.
Thibodaux	3,253	New Orleans	20	5⅛	6	.67	Henderson Sugar Ref. Co.
Whitecastle	1,850	do	12½	5½	6	.375	American Sugar Ref. Co.

MAINE.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Albion	878	Delivered		5 4/10	6	.60	Standard Sugar Refinery.[1]
Alfred	937	Boston	15	5¼	6	.60	American Sugar Ref. Co.
Bangor	21,850	Delivered		5 4/10	6	.60	Standard Sugar Ref. Co.[1]
Belfast	4,615	Boston	10	5.35	6	.55	Revere Sugar Ref. Co.[1]
Berwick	2,280	Delivered		5½	6	.50	Do.
Biddeford	16,145	Portland and Boston.	6–15	5.35	6	.50	American Sugar Ref. Co.
Bluehill	1,828	Delivered		5 4/10	6½	1.10	
Bridgton	1,552	do		5.49	6⅔	1.17	Do.
Caribou	4,758	Bangor	35½	5.77	6	—.12	Do.
Clinton	448	Portland	16	5.35	6¼	.74	American and Revere Sugar Ref. Co.[1]
Eastport	5,311	Boston	11	5 1/10	6	.79	American Sugar Ref. Co.
Freeport	759	Portland	10	5.34	6⅔	1.22	Do.

[1] This company is controlled by American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

MAINE—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Hallowell	2,714	Delivered		$5\frac{6}{10}$	$6\frac{1}{4}$	0.65	Standard Sugar Ref. Co.[1] and Revere Sugar Ref. Co.[1]
Houlton	4,686	Boston	$42\frac{1}{2}$	5			American Sugar Ref. Co.
Kennebunk	3,228	Delivered		5.65	$6\frac{2}{3}$	1.01	Standard Sugar Ref. Co.[1]
Lewiston	23,761	do		5.69	$6\frac{1}{4}$	.56	Do.
Lubec	3,005	do		5.78	$6\frac{2}{3}$	.88	Do.
Machias	2,082	do		$5\frac{4}{10}$	$6\frac{1}{4}$	.85	Do.
McFalls		do		5.72	7	1.28	American Sugar Ref. Co.
Pittsfield	2,208	Boston	$26\frac{1}{2}$	$5\frac{1}{2}$	$6\frac{1}{4}$	.49	Do.
Sanford	6,078	do	13	$5\frac{1}{2}$	$6\frac{2}{3}$	1.03	Do.
South Berwick	3,188	Delivered		5.47	$6\frac{1}{4}$	.78	Standard Sugar Ref. Co.[1]
Thomaston	2,688	do		$5\frac{1}{2}$	7	1.50	Revere Sugar Refinery[1] and Standard Sugar Refinery.[1]
Warren	2,069	Rockland	11	$5\frac{1}{2}$	$6\frac{1}{4}$	.63	Revere Sugar Refinery.
Waterville	9,477	Delivered		$5\frac{3}{4}$	6	.25	Do.
Winterport	1,623	Boston	13	$5\frac{1}{2}$	$6\frac{1}{2}$	.62	Standard Sugar Ref. Co.
Winthrop	2,088	do	23	5.35	$6\frac{2}{3}$	1.08	
Wiscasset	1,273	Delivered		5.65	$6\frac{1}{4}$	.60	American Sugar Ref. Co.
Woodfords		do		5.59	$6\frac{1}{2}$	.91	Do.
Yarmouth	2,274	do		5.59	$6\frac{1}{2}$	.91	Standard Sugar Ref. Co.[1]
York	2,668	Boston	25	5.27	$6\frac{1}{2}$	.98	Revere Sugar Refinery.[1]

MARYLAND.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Annapolis	8,402	Baltimore	5	$5\frac{1}{4}$	6	.70	Franklin Sugar Ref. Co.[1]
Baltimore	508,957	Delivered		$5\frac{1}{4}$	$5\frac{1}{2}$	.25	Do.
Do.	508,957	do		$5\frac{1}{4}$	$5\frac{1}{2}$	.25	
Do.	508,957	do		5.35	$5\frac{1}{2}$	.15	
Cumberland	17,128	do		5.35	$5\frac{1}{2}$	.15	Do.
Ellicott City	1,331	Baltimore	6	$5\frac{1}{4}$	[illegible]	.69	Do.
Frederick	9,296	Delivered		5.55	[illegible]	.45	American Sugar Ref. Co.
Do.	9,296	do		6	$6\frac{1}{2}$	.50	Do.
Hagerstown	13,591	do		5.45	6	.55	
Do.	13,591	do		$5\frac{8}{10}$	[illegible]	.20	American Sugar Ref. Co., Franklin, and Arbuckle Bros.
Lonaconing	2,181	Cumberland	8	5.35	$5\frac{15}{17}$	.45	
Oakland	1,170	Grafton	13	$5\frac{1}{2}$	$6\frac{1}{2}$	.87	Franklin Ref. Co.[1]
Oxford	1,243	Baltimore	[illegible]	$4\frac{1}{2}$	6	1.42	Arbuckle Bros.
Snow Hill	1,596	do	10	$5\frac{8}{10}$	7	1.10	Do.
Taneytown	665	Delivered		5.39	6	.61	Arbuckle Bros. and American Sugar Ref. Co.
Upper Marlboro	449	Baltimore	8	$5\frac{3}{10}$	$5\frac{1}{2}$	.12	Arbuckle Bros.
Williamsport	1,472	Delivered		$5\frac{7}{10}$	6	.30	Arbuckle Bros. and American Sugar Ref. Co.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

MASSACHUSETTS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Abington	4,489	Boston	6	5.33	6	0.61	
Amherst	5,028	....do	12	5 4/10	5⅝	.04	Revere Sugar Ref. Co.[1]
Andover	6,813	....do	8	5¼	5¾	.42	American Sugar Ref. Co.
Athol	7,061	....do	12	5.35	6	.53	Revere Sugar Ref. Co.[1]
Attleboro	11,335	....do	7	5.35	6¼	.83	Do.
Ayer	2,446	....do	7	5.67	6½	.76	Standard Sugar Ref. Co.[1]
Barre	2,059	....do	11	5¼	6	.64	Revere Sugar Ref. Co.[1]
Beverly	13,884	....do	6	5 6/10	6	.34	American Sugar Ref. Co.
Billerica	2,775	Delivered		5½	6	.50	Standard Sugar Ref. Co.[1]
Boston	560,892	....do		5 1/10	6	.50	American Sugar Ref. Co.
Do	560,892	....do		5¼	6	.75	Standard Sugar Ref. Co.[1]
Brockton	40,063	Boston	6	5¼	6	.69	Revere Sugar Ref. Co.[1]
Brookfield	3,062	Delivered		5.24	6	.76	Do.
Cambridge	91,886	....do		5 1/10	6	.90	Do.
Do	91,886	....do		5.15	6	.85	Do.
Do	91,886	....do		5.35	6	.65	Do.
Do	91,886	....do		5¼	6	.75	Do.
Do	91,886	....do		5⅕	6	.80	Arbuckle Bros.
Cambridgeport		....do		5 1/10	5½	.40	Revere Sugar Ref. Co.[1]
Canton	4,584	Boston	5½	5¼	6	.70	American Sugar Ref. Co.
Chicopee	19,167	....do	12	5.35	6	.53	Revere Sugar Ref. Co.[1]
Dalton	3,014	Delivered		5.67	6⅔	.99	American Sugar Ref. Co.
Danvers	8,542	Boston	6	5 4/10	6	.54	Do.
East Boston		Delivered		5.65	6	.35	Do.
Easthampton	5,603	....do		5.64	6	.36	Standard Sugar Ref. Co.[1]
East Lexington		Boston	4	5¼	6	.71	American Sugar Ref. Co.
East Weymouth		....do	6	5¼	6	.69	Revere Sugar Ref. Co.[1]
Edgartown	1,209	New Bedford	5	5 6/10	6⅔	1.01	American Sugar Ref. Co.
Everett	24,336	Delivered		5	5½	.50	Revere Sugar Ref. Co.[1]
Falmouth	3,500	Boston	14	5½	6	.36	Do.
Fitchburg	31,531	....do	8	5.35	6	.57	Do.
Foxboro	3,266	....do	7	5.35	6½	1.08	Do.
Framingham	11,302	....do	6	5¼	6	.69	Do.
Georgetown	1,900	....do	8	5 1/10	6	.38	Do.
Gloucester	26,121	....do	6	5½	5 15/17	.31	American Sugar Ref. Co.
Hingham	5,059	....do	6	5¼	6¼	.94	Do.
Holyoke	45,712	....do	10	5.35	6	.55	Do.
Hudson	5,454	Worcester	7	5¼	6	.68	
Hyannis		Boston	13	5.64	6⅔	.89	American Sugar Ref. Co. and Revere Sugar Ref. Co.[1]
Hyde Park	13,244	....do	3	5¼	6	.72	Standard Sugar Ref. Co.[1]

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

MASSACHUSETTS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Ipswich	4,658	Boston	8	5¼	6¼	0.92	Standard Sugar Ref. Co.[1]
Lancaster	2,478	....do	8	5.35	6	.57	Revere Sugar Ref. Co.[1]
Lawrence	62,559	....do	8	52½	6¼	.67	American Sugar Ref. Co.
Do	62,559	....do	8	5.35	6	.57–1.7	Revere Sugar Ref. Co.[1]
Leominster	12,392	....do	8	5 4/10	6	.27	Revere Sugar Ref. Co.[1]
Lowell	94,969	Delivered	....	5½	6½	1	Revere Sugar Ref. Co. and American Sugar Ref. Co.
Do	94,969	....do	....	5.35	6	.65	Standard Sugar Ref. Co.[1]
Do	94,969	Boston	9	5 1/10	5½	.31	Revere Sugar Ref. Co. and American Sugar Ref. Co.
Lynn	68,513	....do	4	5.35	5½	—.04	American Sugar Ref. Co.
Do	68,513	....do	4	5 1/10	6	.86	Revere Sugar Ref. Co.[1]
Malden	33,664	Delivered	....	52	6	.50	American Sugar Ref. Co.
Do	33,664	Boston	4	5 1/10	6	.86	Revere Sugar Ref. Co.[1]
Manchester	2,522	....do	7	5.52	6	.41	Standard Sugar Ref. Co.[1]
Mansfield	4,006	....do	7	5.59	6½	.87	American Sugar Ref. Co.
Marblehead	7,582	Delivered	....	5.32	6	.68	Do.
Mattapoisett	1,061	New Bedford	3	5.62	6	.35	Do.
Medfield	2,926	Boston	6	5.35	6	.59	Revere Sugar Ref. Co.[1]
Medford	18,244	....do	4	5.35	6	.61	Do.
Melrose	12,962	....do	5	5¼	6	.70	Standard Sugar Ref. Co.[1]
Methuen	7,512	Delivered	....	5 8/10	6½	.90	Revere Sugar Ref. Co.[1]
Milford	11,376	Boston	7	5½	5⅝	....	American Sugar Ref. Co.
Millbury	4,460	Delivered	....	5.59	6	.41	
Nantucket	3,006	Boston	12	5½	6	.38	Do.
New Bedford	62,442	Delivered	....	5.61	7	1.39	Do.
Newton	33,587	Boston	4	5.35	6	.61	Revere Sugar Ref. Co.[1]
North Adams	24,200	....do	15	5.43	5¾	.17	Do.
Northampton	18,643	Delivered	....	5.64	5 15/17	.24	American Sugar Ref. Co.
North Andover	4,243	....do	....	5⅕	6	.80	Standard Sugar Ref. Co.[1] and American Sugar Ref. Co.
Norwood	5,480	Boston	5	5¼	6	.70	Revere Sugar Ref. Co.[1]
Orange	5,520	....do	13	5½	6½	.87	American Sugar Ref. Co.
Peabody	11,523	....do	6	5½	6	.44	Do.
Pittsfield	21,766	Delivered	....	5.42	6	.58	Do.
Plymouth	9,592	Boston	10	5¼	6	.65	Standard Sugar Ref. Co.[1]
Provincetown	4,247	....do	18	5½	6¼	.57	American Sugar Ref. Co. and Revere Sugar Ref. Co.[1]
Quincy	23,899	....do	5	5¼	6	.70	Standard Sugar Ref. Co.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

MASSACHUSETTS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Quincy	23,899	Boston	8	5 1/10	5½	0.35	Revere Sugar Ref. Co.[1]
Salem	35,956	do	6	5.15	6	.79	Standard Sugar Ref. Co.[1] and Revere Sugar Ref. Co.[1]
Do	35,956	Delivered		5.57	6	.43	Do.
Somerville	61,643	do		5.35	6	.65	Revere Sugar Ref. Co.[1]
Southbridge	10,025	Boston	11	5.35	6¼	.79	Do.
Springfield	62,059	Delivered		5¼	5 15/17	.63	American Sugar Ref. Co.
Stoughton	5,442	Boston	6	5¾	6	.19–.44	Revere Sugar Ref. Co.[1]
Taunton	31,036	Delivered		5 6/10	6¼	.65	Standard Sugar Ref. Co.[1]
Wakefield	9,290	Boston	6	5 1/10	5½	.34	Revere Sugar Ref. Co.[1]
Ware	8,263	do	9–11	5¼	5⅝	.20–.22	American Sugar Ref. Co.
Watertown	9,706	do	4	5½	6	.46	Revere Sugar Ref. Co.[1]
Webster	8,804	Providence	8	5.61	6¼	.56	American Sugar Ref. Co.
West Springfield	7,105	Delivered		5.38	5.60	.22	Revere Sugar Ref. Co.[1]
Williamstown	5,013	New York	17	5.69	6¼	.39	American Sugar Ref. Co. and H. W. Clark & Co.
Winchester	7,248	Boston	4	5.35	6	.61	Revere Sugar Ref. Co.[1]
Winthrop	6,058	Delivered		5½	6	.50	Revere and Standard Sugar Ref. Co.[1]
Worcester	118,421	do		5.69	6	.31	American Sugar Ref. Co.
Do	118,421	do		5.34	6	.66	Standard Sugar Ref. Co.[1]
Do	118,421	do		4.59	6	1.41	Do.

MICHIGAN.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Adrian	9,654	Toledo	7	5¾	6½	.68	American Sugar Ref. Co.
Albion	4,519	Delivered		5.58	6½	.92	Do.
Ann Arbor	14,509	do		5.71	6¼	.54	Do.
Bay City	27,628	do		5¾	6	.25	Do.
Benton Harbor	6,562	do		5.53	6	.47	Do.
Big Rapids	4,686	do		5.65	6	.35	
Birmingham	1,170	do		5.54	5 15/17	.34	Do.
Cadillac	5,997	New York	32½	5.93	6¼		Do.
Carson City	906	Grand Rapids	17	5.9	6½	.18	Do.
Cassopolis	1,330	Delivered		5.82	5.88	.06	Do.
Cedar Springs	950	Grand Rapids	6	5.86	6¼	.33	Do.
Charlevoix	2,079	do	19	5.97	6⅔	.50	Do.
Charlotte	4,092	Delivered		5.7	6¼	.55	Do.
Cheboygan	6,489	Detroit	47	5¼	6¼	.53	Do.
Chelsea	1,635	Delivered		5.58	6	.42	Do.
Coldwater	6,216	do		5.61	6	.39	Do.
Crystal Falls	3,231	do		5.73	6	.27	
Detroit	285,704	do		5.47	6	.53	Do.
Do	285,704	do		5.47	5½	.03	Do.
Do	285,704	do		5.45	6	.55	Do.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

MICHIGAN—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Detroit	285,704	Delivered		5.47	5⅝	0.09	American Sugar Ref. Co.
Do.	285,704	do		5.47	5½	.03	American and Franklin Sugar Ref. Cos.[1]
Durand	2,134	do		5.65	6	.35	Do.
Fenton	2,408	do		5.57	[illegible]	.43	Do.
Gladstone	3,380	do		5.95	6½	.55	
Grand Haven	4,783	do		5.6	6–6½	.40–.90	American Sugar Ref. Co.
Grand Rapids	87,565	do		5.85	6	.15	Do.
Grayling	1,716	do		5.88	6½	.62	Do.
Harbor Springs	1,643	do		5.72	6	.28	Do.
Hartford	1,077	do		5.88	6	.12	American and Franklin Sugar Ref. Cos.[1]
Holland	7,790	do		5.86	6	.14	Do.
Holly	1,419	do		5.58	6	.42	Do.
Lakeview	935	do		5.9	6½	.60	Do.
Lapeer	3,227	do		5.83	6½	.67	Do.
Leslie	1,114	do		5.66	[illegible]	.44	Do.
Mancelona	1,226	do		5.95	6½	.55	American and Franklin Sugar Ref. Cos.[1]
Marcellus	1,025	Chicago	13	5.87	6–6¼	0–.25	Mollenhaur Sugar Ref. Co.
Marine City	3,829	Detroit	13	5.83	6¼–6½	.29–.54	
Marquette	10,058	Chicago	28	5.7	6½	.52	Arbuckle Bros.
Marshall	4,370	Delivered		5.61	6¼–6½	.64–.89	American Sugar Ref. Co.
Menominee	12,818	Chicago	15	5.72	6⅔	.79	
Midland	2,363		7	5¾	6½	.43	
Mount Clemens	6,576	Delivered		5.8	6½	.70	Do.
Negaunee	6,935	Chicago and Milwaukee.		5.99	6⅔		American Sugar Ref. Co. and Arbuckle Bros.
Niles	4,287	Delivered		5.61	6¼	.64	American Sugar Ref. Co.
Northville	1,755	do		5.8	6¼	.45–.70	Do.
Ontonagon	1,267	do		6.07	7	.93	Do.
Oscoda	1,109	do		5¾	6	.25	Do.
Port Huron	19,158	do		5.47	6½	1.03	Do.
Reed City	2,051	do		5.9	6	.10	American Sugar Ref. Co. and Franklin Sugar Ref. Co.[1]
Saginaw	42,345	do		5.52	6	.48	American Sugar Ref. Co.
South Frankfort	639	New York	40	5¼	6½	.85	Do.
St. Johns	3,388	Delivered		6.35	6.63	.28	Do.
Tecumseh	2,400	do		5.82	6¼	.43	Do.
Traverse City	9,407	do		5.69	6¼	.56	American Sugar Ref. Co. and Arbuckle Bros.
Vassar	1,832	do		5.59	6	.41	American Sugar Ref. Co. and Michigan Sugar Co.
West Bay City	13,119	do		5.52	6½	.98	Do.
Whitehall	1,481	do		5.88	6½	.62	American Sugar Ref. Co.
Williamston	1,113	Detroit and Toledo.	34	5.85	6½	.31	Do.
Ypsilanti	7,378	Detroit		5.55	6	.37	Do.

[1] This company is controlled by American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

MINNESOTA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Albert Lea	4,500	Delivered		5.68	6	0.32	
Alexandria	2,681	do		6.18	7⅐	.96	
Anoka	3,769	Minneapolis	8	5¾	6¼	.42	
Caledonia	1,179	Delivered		5.97	6	.03	American Sugar Ref. Co. and Franklin Sugar Ref. Co.[1]
Cannon Falls	1,239	do		5.97	6¾	.78	American Sugar Ref. Co.
Chatfield	1,426	do	24	5.96	6¼	.29	Do.
Detroit	2,060	Minneapolis	35	6	6⅔	.31	Do.
Duluth	52,969	Delivered		5.65	7	1.35	
Fairmont	3,040	do		5.76	6⅔	.90	Do.
Fergus Falls	6,072	do		5.9	6⅔	.76	Do.
Grand Rapids	1,428	do		5.96	6¼	.29	Do.
Hutchinson	2,495	St. Paul	17	6.02	7	.81	
Jackson	1,756	Albert Lea	16	5.65	6	.19	
Kenyon	1,202	Delivered		5.74	6¼	.51	
Lanesboro	1,102	do		5.96	6¼	.29	
Lesueur	478	do		5.73	6⅔	.93	
Litchfield	2,280	St. Paul	20	5.85	6	−.05	
Long Prairie	1,385	do	25		6¼		Do.
Luverne	2,223	Delivered		5.89	6¼	.36	Do.
Mankato	10,599	do		5.95	6⅓	.38	Do.
Mazeppa	556	Chicago	25	5½	6	.25	Do.
Minneapolis	202,718	Delivered		5.91	7	1.09	Franklin Sugar Ref Co.[1]
Montevideo	2,146	do		5.81	6	.19	American Sugar Ref. Co.
Moorhead	3,730	do		6¼	7	.75	Franklin Sugar Ref. Co.[1]
Morris	1,934	do		5.93	6¼	.31	American Sugar Ref. Co.
New Ulm	5,403	do		5.73	6	.27	American Sugar Ref. Co. and Franklin Sugar Ref. Co.[1]
North Branch	1,211	St. Paul	17	6.17	6¼	.09	Franklin Sugar Ref. Co. and Arbuckle Bros.[1]
Northfield	3,210	Delivered		5.97	6⅔	.69	American Sugar Ref. Co.
North St. Paul	1,110	St. Paul	4	5.85	6¼	.36	
Ortonville	1,247	Delivered		6.85	6¼	.60	
Pipestone	2,536	do		6.08	6⅔	.58	Do.
Plainview	1,038	do		5.96	6⅔	.70	Do.
Preston	1,278	Chicago and Dubuque.	20	5.73	6	.07	
Princeton	1,319	St. Paul	17	6¼	6¾	.33	
Red Wing	7,525	Delivered		5.86	6¼	.39	American Sugar Ref. Co. and Franklin Sugar Ref. Co.[1]
Rochester	6,843	Chicago	24	5.6	6¼	.41	American Sugar Ref. Co.
Rushford	1,062	Delivered		5.96	6¼	.29	Do.
Sauk Center	2,220	do		6.16	6½	.34	Franklin Sugar Ref. Co.[1]
Springfield	1,511	Mankato and St. Paul.	15½–22	6¼	6½	.03	
Spring Valley	1,770	Delivered		5.97	6¼	.28	American Sugar Ref. Co.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

MINNESOTA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
St. Cloud	8,663	Delivered		6.07	7	0.93	American Sugar Ref. Co. and Franklin Sugar Ref. Co.[1]
St. James	2,607	....do		5.76	$6\frac{1}{2}$	.74	
St. Paul	163,065	....do		5.65	$6\frac{2}{3}$	1.01	American Sugar Ref. Co.
Stillwater	12,318	Chicago	25	5.65	$6\frac{3}{4}$	.85	
Tracy	1,911	Delivered		6.06	$6\frac{3}{4}$	.69	Do.
Two Harbors	3,278	....do		6.06	7	.94	Arbuckle Bros.
Wabasha	2,528	....do		5.97	$6\frac{2}{3}$	.69	American Sugar Ref. Co.
Waterville	1,260	St. Paul	15	5.72	$5\frac{15}{17}$	.01	Do.
White Bear Lake	1,288	Delivered		5.98	6.8	.82	Do.
Winona	19,714	....do		5.76	$6\frac{1}{4}$	.49	Do.
Virginia	2,962	....do		5.9	$7\frac{1}{2}$	1.60	Franklin Sugar Ref. Co.[1]
Zumbrota	1,119	....do		5.72	$6\frac{1}{4}$	.53	Standard Sugar Ref. Co.[1]

MISSISSIPPI.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Amory	1,211	Memphis	26	$5\frac{1}{4}$	6	.49	Standard Sugar Ref. Co.[1]
Bay St. Louis	2,872	New Orleans	18	$5\frac{1}{2}$	7	1.32	American Sugar Ref. Co.
Biloxi	5,467	....do	22	$5\frac{1}{2}$	$6\frac{1}{2}$	.78	Do.
Brandon	775	....do	$37\frac{1}{2}$	5	7	1.13	
Columbus	6,484	Delivered		$5\frac{3}{4}$	8	2.25	
Crystal Springs	1,093	New Orleans	$33\frac{1}{3}$	5.45	7	1.22	Do.
Gloster	1,661	....do	47	5.45	7	1.08	
Greenville	7,642	....do	10	$5\frac{1}{8}$	6	.78	Do.
Hattiesburg	4,175	....do	20	5.4	$6\frac{1}{2}$	.90	
Iuka	7,816	Memphis	26	$5\frac{1}{2}$	$6\frac{1}{2}$	.74	Do.
Kosciusko	2,078	New Orleans	38	5.28	$6\frac{3}{4}$	1.09	Do.
Lexington	1,516	....do	38	$5\frac{1}{2}$	$6\frac{1}{2}$	.62	Do.
Mosspoint		....do	40	5.4	7	1.20	Do.
Oxford	1,825	....do	36	$5\frac{5}{8}$	$6\frac{1}{2}$	.52	Do.
Ripley	653	Memphis	23	$5\frac{1}{2}$	$6\frac{3}{4}$	1.02	Do.
Shuqualak	600	New Orleans	34	$5\frac{1}{4}$	$6\frac{1}{2}$	.91	
Vicksburg	14,834	....do	10	5.1	6	.80	Do.
Do	14,834	Delivered		$5\frac{1}{2}$	6	.50	Do.
Water Valley	3,813	Memphis and New Orleans.	40	$5\frac{1}{2}$	$6\frac{1}{2}$	.60	Do.

MISSOURI.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Ashgrove	1,039	Delivered		5.96	$6\frac{3}{4}$	.79	American Sugar Ref. Co.
Aurora	6,191	....do		5.71	7	1.29	Do.
Bowling Green	1,902	St. Louis	17	5.65	7	1.18	Do.
Butler	3,158	Delivered		6.01	$6\frac{1}{2}$	.49	Do.
Cape Girardeau	4,815	New Orleans	15	$5\frac{4}{10}$	7	1.45	Henderson Sugar Ref. Co.
Carrollton	3,854	St. Louis and Kansas City.	27–18	5.73	$6\frac{1}{10}$	.10	Do.
Columbia	5,651	Delivered		$5\frac{1}{2}$	$6\frac{1}{4}$	.75	American Sugar Ref. Co.
Dexter	1,862	St. Louis and Cairo	31–20	$5\frac{6}{10}$	7	1.09	Do.
Eldorado Springs	2,137	Kansas City	23	6.02	$6\frac{1}{4}$		Do.
Emma		St. Louis	27	5.62	$6\frac{1}{2}$	.61	Do.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

MISSOURI—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Farmington	1,778	St. Louis	25	5.65	$6\frac{1}{4}$	0.35	Henderson Sugar Ref. Co.
Festus	1,256	....do	11	$5\frac{6}{10}$	$6\frac{1}{4}$	.54	American Sugar Ref. Co.
Fulton	4,883	....do	22	$5\frac{1}{2}$	[illegible]	.28	Do.
Gallatin	1,780	Delivered		5.78	$6\frac{2}{3}$	.88	Do.
Glasgow	1,672	St. Louis	25	5.35	7	1.40	American and Franklin Sugar Ref. Cos.[1]
Grant City	1,406	Delivered		$5\frac{9}{10}$	6	.10	Franklin Sugar Ref. Co.[1]
Greenfield	1,406	....do		5.78	6	.22	American Sugar Ref. Co.
Holden	669	....do		5.78	$6\frac{1}{4}$	.47	Western Sugar Refinery.[1]
Hopkins	907	....do		[illegible]	$6\frac{2}{3}$	.66	Do.
Huntsville	1,805	St. Louis	24	5.45	$6\frac{1}{4}$	.56	American Sugar Ref. Co.
Independence	6,974	Delivered		5.89	$6\frac{1}{4}$	.36	Western Sugar Ref. Co.[1]
Jefferson City	9,664	St. Louis	23	$5\frac{1}{2}$	$6\frac{1}{4}$	.52	
Joplin	26,023	Delivered		$5\frac{7}{10}$	$6\frac{1}{4}$	.55	American Sugar Ref. Co.
Do	26,023	....do		$5\frac{7}{10}$	$6\frac{1}{4}$	.55	Do.
Kansas City	163,752	....do		$5\frac{8}{10}$	....	....	Franklin Sugar Ref. Co.[1]
Do	163,752	....do		$5\frac{8}{10}$	$5\frac{5}{8}$	—.76	American Sugar Ref. Co.
Knobnoster	673	....do		5.83	....	—.14	
Lagrange	1,507	....do		5.76	$5\frac{5}{8}$	....	Do.
Laplata	1,345	....do		5.68	$6\frac{1}{4}$	.57	Do.
Lebanon	2,125	St. Louis and Springfield.	32–16	$5\frac{8}{10}$	$6\frac{3}{8}$	.58	Do.
Liberty	2,407	Delivered		5.96	$6\frac{1}{4}$	.29	Western Sugar Ref. Co.[1]
Lockwood	749	....do		5.85	$7\frac{1}{7}$	1.29	
Louisiana	5,131	St. Louis	11	5.65	$6\frac{3}{4}$	.99	
Marionville	1,290	Springfield	12	$5\frac{8}{10}$	$6\frac{2}{3}$	.74	
Milan	1,757	Delivered		5.58	$6\frac{1}{4}$	.67	American Sugar Ref. Co.
Monett	3,115	....do		$5\frac{9}{10}$	$6\frac{2}{3}$	.76	Do.
Monroe City	1,929	St. Louis	21	$5\frac{7}{10}$	$5\frac{9}{10}$	—.01	Do.
Mount Vernon	1,206	Delivered		5.91	$6\frac{3}{4}$	.84	
Norborne	1,189	Kansas City	16	5.58	$6\frac{1}{4}$	.51	Western Sugar Ref. Co.[1]
Oregon	1,032	Delivered		6.05	$6\frac{2}{3}$	.61	Standard Sugar Ref. Co.[1]
Paris	1,397	St. Louis		$5\frac{5}{10}$	$5\frac{1}{2}$	—.01	American Sugar Ref. Co.[1]
Pattonsburg	1,065	Delivered		5.58	6	.42	Standard Sugar Ref. Co.[1]
Plattsburg	1,878	Kansas City	14	$5\frac{3}{4}$	6	.11	Mollenhauer Sugar Ref. Co.
Pleasanthill	2,002	Delivered		5.69	$6\frac{1}{4}$	.56	American Sugar Ref. Co.
Richmond	3,478	....do		5.76	$6\frac{2}{3}$	.90	Do.
Rockport	1,080	....do		$5\frac{8}{10}$	6.45	.65	Mollenhauer Sugar Ref. Co.
St. Joseph	102,979	....do		5.55	$5\frac{3}{4}$	.20	Western Sugar Ref. Co.[1]
Do	102,979	....do		$5\frac{1}{2}$	$5\frac{1}{2}$	0	Standard Sugar Ref. Co.[1]
St. Louis	575,238	....do		$5\frac{1}{2}$	6	.50	American Sugar Ref. Co.
Do	575,238	....do		$5\frac{1}{2}$	$5\frac{3}{4}$	.25	Do.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

MISSOURI—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
St. Louis	575,238	Delivered		5.35	6	0.65	American Sugar Ref Co.
Sarcoxie	1,126	Joplin	11	5.89	$6\frac{2}{3}$	.66	
Savannah	1,886	New Orleans	30	$5\frac{3}{4}$	$5\frac{15}{17}$	—.17	
Springfield	23,267	Delivered		$5\frac{8}{10}$	$6\frac{1}{4}$	.45	Do.
Do.	23,267	....do		5.55	6	.45	Do.
Stewartsville	616	....do		$5\frac{3}{4}$	$6\frac{1}{4}$	.50	Mollenhauer Sugar Ref. Co.
Vandalia	1,168	St. Louis	21	5.55	$6\frac{1}{4}$	.49	American Sugar Ref. Co.
Washington	3,015	....do	15	$5\frac{1}{2}$	$6\frac{1}{2}$	.85	Do.
Wellsville	1,160	....do	20	5.55	$6\frac{1}{4}$	.50	
Westplains	2,902	Delivered		5.85	7	1.15	Do.
Windsor	1,502	....do		5.66	$6\frac{1}{4}$	.59	
York		Springfield	10	$5\frac{9}{10}$	$6\frac{1}{4}$	.25	

MONTANA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Anaconda	9,453	San Francisco	125	$5\frac{1}{4}$	7	.50	Western Sugar Ref. Co.[1]
Billings	3,221	....do	127	6	7	—.27	Do.
Boulder		Butte	18	$6\frac{1}{2}$	$6\frac{2}{3}$	—.02	
Bozeman	3,419	San Francisco	125	$5\frac{4}{10}$	6.85	.20	Do.
Butte	30,470	Delivered		$6\frac{3}{4}$	7	.25	Western Sugar Ref.[1] Co. and Utah Sugar Ref. Co.
Do.	30,470	San Francisco	125	6.55	7	—.80	California and Hawaiian Sugar Ref. Co.
Greatfalls	14,930	....do	125	5.35	7	.40	Western Sugar Ref. Co.[1]
Helena	10,770	Delivered	125	[2]6.55	6.75	.20	Do.
Kalispell	2,526	San Francisco	118	5.45	$8\frac{1}{3}$	1.70	California and Hawaiian Sugar Ref. Co.
Livingston	2,778	Delivered		$6\frac{6}{10}$	7	.40	Western Sugar Ref. Co.[1]
Missoula	4,366	San Francisco	120	$5\frac{4}{10}$	$6\frac{3}{10}$	—.70	Do.
Philipsburg	995	....do	131	[2]6.65–7	10	3.04	Do.
Red Lodge	5,152	....do	135	[2]6.65	7	.35	Do.
Virginia City	568	....do	125	$5\frac{1}{4}$	8	1.50	Do.

NEBRASKA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Alliance	2,535	Lincoln	61	6.55	7	—.16	American Sugar Ref. Co. and Standard Sugar Ref. Co.[1]
Ashland	1,477	Delivered		5.95	6.15	.20	Standard Sugar Ref. Co.[1]
Auburn	2,664	....do		5.95	$6\frac{1}{4}$	.30	American Sugar Ref. Co.
Beatrice	7,875	....do		5.78	7	1.22	
Blair	2,970	Omaha	12	5.68	6	.32	
Central City	1,571	Delivered		6.08	6.75	.67	Western Sugar Ref. Co.[1]
Columbus	3,522	....do		5.76	6.25	.49	Western Sugar Ref. Co. and American Sugar Ref. Co.

[1] This company is controlled by the American Sugar Ref. Co.
[2] This seems to include freight.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

NEBRASKA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Crawford	731	Delivered	85	6.65	7	0.35	Franklin Sugar Ref. Co.[1]
Dorchester	521	Lincoln and Omaha.	16–22	5¾	6⅔	.69	Standard[1] and California Sugar Ref. Co.
Falls City	3,022	Delivered		[illegible]	7	1	
Fremont	7,241	do		5.84	6	.16	Western Sugar Ref. Co.[1]
Geneva	1,534	do		5¾	6½	.75	
Gothenburg	819	do		6$\frac{7}{10}$	6¼	—.45	
Holdrege	3,007	do		6	6⅔	.66	
Indianola	626	Omaha	52	5$\frac{8}{10}$	6	—.32	Standard Sugar Ref. Co.[1]
Lincoln	40,169	Delivered		5.94	6½	.56	
Do	40,169	Chicago	36	5.54	6	.10	Mollenhauer Sugar Ref. Co.
Nebraska City	7,380	Delivered		5–6	6–7	1	
Norfolk	3,883	Omaha	23	[illegible]	7	.77	
Omaha	102,555	Delivered		5.56	6	.44	
Do	102,555	do		5$\frac{8}{10}$	6	.20	American Sugar Ref. Co. and Western Sugar Ref. Co.[1]
Do	102,555	do		5.56	6	.44	Mollenhauer Sugar Ref. Co.
Do	102,555	do		5.81	6½	.69	
Do	102,555	do		5.81	6¼	.44	Western Sugar Ref. Co.[1]
Randolph	850	Omaha and Sioux City.	21	6.02	6¼	.02	American Sugar Ref. Co.
Shelton	861	Omaha	37	5.92	6⅝	.27	Western Sugar Ref. Co.[1]
St. Paul	1,475	Delivered		6	6¼	.25	Philadelphia Sugar Ref. Co.[1]
Stromsburg	1,154	do		6.15	6¼	.10	
Tekamah	1,597	do		5.73	6¼	.52	American Sugar Ref. Co.
Wahoo	2,100	do		5$\frac{9}{10}$	6¼	.35	Do.
Wilber	1,054	do		5$\frac{9}{10}$	6¼	.35	
York	5,132	Lincoln	21	5$\frac{8}{10}$	6¼	.24	Do.

NEVADA.

Carson	2,100	Reno	15	6$\frac{1}{10}$	6½	.25	Western Sugar Ref. Co.[1]
Virginia City	2,695	San Francisco	87½	5½	7	.63	California and Hawaiian Sugar Ref. Co.

NEW HAMPSHIRE.

Bartlett	1,013	Delivered		5.86	6½	.64	American Sugar Ref. Co.
Belmont	1,294	Boston	16	5.45	[illegible]	.39	Do.
Canaan	1,444	Delivered		5¼	6¼	1	
Claremont	6,498	do		5$\frac{6}{10}$	6	.40	Revere Sugar Ref. Co.[1]
Concord	19,632	do		5.58	6	.42	Do.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

NEW HAMPSHIRE—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Conway	3,154	Portland and Boston.	22	5.45	6¼	0.58	American Sugar Ref. Co.
Epping	1,641	Delivered		5.62	6	.38	
Exeter	4,922	Boston	10	5.35	6	.55	Revere Sugar Ref. Co.[1]
Farmington	2,265	Delivered		5.67	6¼	.58	Standard Sugar Ref. Co.[1]
Haverhill	3,414	....do		5¾	6¼	.50	American Sugar Ref. Co.
Hinsdale	1,933	....do		5.72	6	.28	Do.
Keene	9,165	Boston	11	5½	6½	.89	Do.
Laconia	8,042	....do	15	$5\frac{2}{10}$	6	.65	Revere Sugar Ref. Co.[1]
Littleton	4,066	....do	17	5.45	6½	.88	American Sugar Ref. Co.
Manchester	56,987	Delivered		5.55	6½	.95	Standard Sugar Ref. Co.[1]
Marlboro	1,524	....do		5.41	6	.59	American Sugar Ref. Co.
Newport	3,126	Boston	16	5.32	6	.52	Revere Sugar Ref. Co.[1]
Portsmouth	10,637	Delivered		5.57	6½	.93	American Sugar Ref. Co.
Tilton	1,926	Boston	15	5.67	6¼	.43	Standard Sugar Ref. Co.[1]
Winchester	2,274	Delivered		5.62	6	.38	
Wolfboro	2,390	Boston	17	5.65	6½	.68	Standard Sugar Ref. Co.[1]

NEW JERSEY.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Bayonne	32,722	Delivered		5½	6	.50	American Sugar Ref. Co.
Belvidere	902	....do		5.41	5½	.09	
Beverly	1,950	Philadelphia	6	5.35	6	.59	Franklin Sugar Ref. Co.[1]
Bloomfield	9,668	Delivered		5⅓	$5\frac{5}{7}$	.38	
Bordentown	4,110	Trenton and Philadelphia.	7-8	5.45	6	.47	Do.
Bridgeton	13,913	Delivered		5.65	6	.35	
Do	13,913	Philadelphia	8	5¼	6	.67	Do.
Burlington	7,392	....do	7	$5\frac{4}{10}$	6	.53	American Sugar Ref. Co.
Camden	75,935	Delivered		5.74	6	.26	Do.
Do	75,935	....do		5½	5½	0	Do.
Cape May	2,257	Camden	14	5.83	6	.03	Franklin Sugar Ref. Co.[1]
East Orange	21,506	Delivered		5.32	$5\frac{13}{25}$	.20	American Sugar Ref. Co.
Elizabeth	52,130	....do		5.33	6	.67	Do.
Flemington		Trenton	8	5.39	6½	1.03	Franklin Sugar Ref. Co.[1]
Garfield	3,504	New York	8	5.35	5¾	.32	American Sugar Ref Co.
Hackettstown	2,474	Delivered		5¾	6	.25	Do.
Harrisonville	10,596	New York	5	5.32	6	.63	Do.
Hoboken	59,364	Delivered		5⅛	6	.87	Do.
Jersey City	206,433	....do		5¼	$5\frac{5}{7}$	.46	Do.
Do	206,433	....do		5½	$6\frac{2}{3}$	1.16	Do.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

NEW JERSEY—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Keyport	3,413	New York	30	5.36	6	0.34	American Sugar Ref. Co.
Lambertville	4,637	Trenton	47	5.42	6	.11	Franklin Sugar Ref. Co.[1]
Leonardo		Delivered		5.37	6	.63	American Sugar Ref. Co.
Long Branch	8,872	....do		5.35	6	.65	Do.
Milburn	2,837	....do		5.36	6–7	.64	Mollenhauer Sugar Ref. Co.
Millville	10,583	Philadelphia	10	$5\frac{1}{4}$	6	.65	W. H. McCahan.
Morristown	11,265	Hoboken	7	$5\frac{1}{2}$	$5\frac{3}{4}$	.18	American Sugar Ref. Co.
Do	11,265	Philadelphia	7	5.34	6	.59	Franklin Sugar Ref. Co.[1]
Mount Holly		....do	8	$5\frac{1}{4}$	6	.67	Do.
Newark	246,070	New York	12	$5\frac{1}{2}$	6	.38	American Sugar Ref. Co.
Do	246,070	Delivered		5.37	6	.63	
Do	246,070	....do		5.57	6	.43	Do.
Do	246,070	New York	12	[2] 5.10	5.32	.10	Do.
Do	246,070	Delivered		$5\frac{1}{5}$	5.43	.23	Do.
New Brunswick	20,006	....do		5.34	6	.66	Do.
Paulsboro		Philadelphia	7	$5\frac{1}{2}$	6	.43	Franklin Sugar Ref. Co.[1]
Plainfield	15,369	New York	10	$5\frac{1}{2}$	6	.40	American Sugar Ref. Co.
Newton	4,376	....do	12	$5\frac{4}{10}$	6	.38	Do.
Orange	24,141	Delivered		$5\frac{6}{10}$	6	.40	
Do	24,141	Hoboken	4	5.35	$5\frac{18}{25}$	.33	Do.
Do	24,141	Delivered		5.35	6	.65	Do.
Paterson	105,171	....do		5.35	6	.65	Do.
Do	105,171	New York and Hoboken.	7–4	5.35	$5\frac{3}{4}$	.33	Do.
Do	105,171	Delivered		$5\frac{6}{10}$	6	.40	Do.
Perth Amboy	17,699	....do		5.33	6	.67	
Pleasantville	2,182	Philadelphia	14	5.56	6	.30	Franklin Sugar Ref. Co.[1]
Raritan	3,244	New York	10	$5\frac{1}{4}$	6	.65	American Sugar Ref. Co.
Redbank	5,428	....do	10	$5\frac{1}{4}$	$5\frac{1}{2}$	.15	American Sugar Ref. Co. and Arbuckle Bros.
Rutherford	4,411	....do	8	$5\frac{1}{2}$	$5\frac{5}{7}$	.13	Arbuckle Bros.
Salem	5,811	Philadelphia	8	5.35	6	.57	Franklin Sugar Ref. Co.[1]
South River	2,792	New York	33	5.40	6	.27	American Sugar Ref. Co. and Arbuckle Bros.
Trenton	73,307	Delivered		$5\frac{6}{10}$	6	.40	
West Hoboken	23,094	....do		5.35	6	.65	American Sugar Ref. Co.
West Orange	6,889	....do		$5\frac{6}{10}$	6	.40	Do.
Woodbury	4,087	....do	6	5.58	$5\frac{1}{2}$	−.08	
Woodstown	1,371	....do		5.35	6	.65	Franklin Sugar Ref. Co.[1]

[1] This company is controlled by the American Sugar Ref. Co.
[2] Possibly a wholesale dealer, as he reports receiving a rebate.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

NEW YORK.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Akron	1,585	Delivered		5.74	6	0.26	
Allegany	3,692	New York	22	5.05	6½	1.23	Arbuckle Bros.
Amsterdam	20,929	Delivered		5.55	6½	.95	American Sugar Ref. Co.
Athens	2,171	New York	9	5.79	6½	.62	American Sugar Ref. Co. and Mollenhauer Sugar Ref Co.
Attica	1,785	Delivered		5.47	6½	1.03	American Sugar Ref. Co. and Franklin Sugar Ref. Co.[1]
Belmont	1,190	do		5.47	6¼	.78	
Binghamton	39,647	do		5.42	6	.58	American Sugar Ref. Co.
Do	39,647	New York	22	5.87	6	— .09	
Brewster	1,192	Delivered		5½	6	.50	Do.
Brockport	3,398	Rochester	7	5.49	6	.44	
Buffalo	352,387	Delivered		5.49	6	.51	Do.
Do	352,387	do		5.49	6	.51	Do.
Do	352,387	do		5.74	6	.26	Arbuckle Bros.
Do	352,387	do		5.99	6	.01	American Sugar Ref. Co.
Cambridge	1,578	do		5½	5½	0	Arbuckle Bros.
Canajoharie	2,105	do		5.37	6	.63	American Sugar Ref. Co.
Canastota	3,030	Rome	7	5.86	6½	.57	Do.
Carthage	2,895	Delivered		6	6½	.50	Do.
Cattaraugus	1,382	do		5.51	6½	.99	Do.
Clayton	1,913	do		5 7/10	6	.30	
Cobleskill	2,327	do		5.72	6	.28	
Cohoes	23,910	do		5.77	6	.23	Do.
Cooperstown	2,368	do		5.85	6½	.65	Do.
Cornwall-on-Hudson.		do		5.62	6 2/7	.66	Do.
Coxsackie	2,735	do		5.65	6	.35	Do.
Cuba	1,502	do		5.47	5.85	.38	Do.
Dansville	3,633	do		5.72	6	.28	Franklin Sugar Ref. Co.[1]
Dobbs Ferry	2,888	do		5.61	6	.39	American Sugar Ref. Co.
Dundee	1,291	New York	18	5.72	6½	.60	Do.
Dunkirk	11,616	do	15	5½	5¾	.10	Arbuckle Bros.
Do	11,616	Delivered		5.51	6	.49	American Sugar Ref. Co.
East Patchogue	2,929	New York	13	5½	6	.37	
Ellenville	2,879	Delivered		5.68	6	.32	Do.
Elmira	35,672	do		5 6/10	6½	.90	Do.
Fairport	2,489	do		5.72	6½	.53	Do.
Far Rockaway		New York	8	5½	6	.42	
Frankfort	2,664	Delivered		5 7/10	6½	.40	Do.
Fredonia	4,127	do		5.76	6½	.74	Do.
Friendship	1,214	do		5.62	6	.38	American Sugar Ref. Co. and Mollenhauer Sugar Ref. Co.
Fulton	5,281	do		5.52	6½	.93	American Sugar Ref. Co.
Geneva	10,433	New York	20	5½	6½	.80	American Sugar Ref. Co. and Arbuckle Bros.
Genesee	2,400	Delivered		5.57	6½	.93	American Sugar Ref. Co.
Glens Falls	12,613	Albany	10	5.85	6½	.55	Do.
Gloversville	18,349	Delivered		5.74	6	.26	Do.
Herkimer	5,555	do		5.69	6	.31	Do.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

NEW YORK—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Homer	6,206	Delivered		5.47	6	0.53	American Sugar Ref. Co.
Honeoye Falls	1,175	do		5.72	6½	.78	Do.
Ithaca	13,136	do		5.72	6	.28	
Do	13,136	do		5.47	6	.53	Do.
Do	13,136	do		5.47	5½	.03	Do.
Irvington	2,231	New York	7–9	5¼	5¾	.41	Do.
Islip	12,545	do	11	5½	6	.39	Do.
Jamaica		Brooklyn	4	5¼	5½	.21	Do.
Jamestown	22,892	Delivered		5.51	6	.49	Do.
Do	22,892	do		5.51	6	.49	Arbuckle Bros.
Johnstown	10,130	do		5.87	6	.13	American Sugar Ref. Co.
Keeseville	2,110	do		5.61	6	.39	Do.
Kingston	24,535	do		5.64	6½	.86	Mollenhauer Sugar Ref. Co.
Lansingburg	12,595	do		5.65	6	.35	American Sugar Ref. Co.
Little Falls	10,381	do		5.69	6	.31	Do.
Lockport	16,581	do		5.49	6	.51	
Do	16,581	do		5.49	6	.51	American Sugar Ref. Co.
Long Island City		do		5¼	6	.75	Mollenhauer Sugar Ref. Co.
Lyons	4,300	Syracuse	8	5.47	6	.45	American Sugar Ref. Co.
Mamaroneck	4,722	New York	8	5½	7	1.42	Do.
Massena	2,032	Delivered		5.55	6¼	.70	Do.
Mattituck		New York	12½	5½	6	.38	Do.
Mayville	943	Delivered		5.54	6½	.96	American Sugar Ref. Co. and Arbuckle Bros.
Medina	4,716	do		5.74	6	.26	American Sugar Ref. Co.
Do	4,716	do		5¼	6	.75	Do.
Middleburg	1,135	do		5.95	6½	.55	Do.
Middletown	14,522	do		5.67	5⅞	.20	Do.
Montgomery	973	do		5.25	6	.75	American Sugar Ref. Co. and Mollenhauer Sugar Ref. Co.
Montour Falls	1,193	do		5.72	6	.28	American Sugar Ref. Co.
Moravia	1,442	do		5¼	6	.75	Do.
Mount Kisco	1,346	New York	12	5¼	6	.63	Do.
Naples	1,048	Delivered		5.67	6½	.83	Do.
New Brighton				5¼	5½	.25	Do.
Newburg	24,943	Delivered		5½	6	.50	Do.
New York City	3,437,202	do		5½	6	.50	Do.
Do	3,437,202	do		5¼	5½	.25	American Sugar Ref. Co. and Arbuckle Bros.
Do	3,437,202	do		5½	5⅝	.12	American Sugar Ref. Co.
Do	3,437,202	do		5½	5½	.0	Do.
Do	3,437,202	do		5½	6	.50	Do.
Olean	9,462	do		5½	6½	1.00	Arbuckle Bros.
Do	9,462	Buffalo	10	5.77	6	.13	American Sugar Ref. Co.
Do	9,462	Delivered		5.84	6½	.66	Arbuckle Bros.
Oswego	22,199	do		5.72	6	.28	Do.
Do	22,199	do		5.72	6	.28	Do.
Oxford	1,931	New York	20	5.4	6	.60	American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

NEW YORK—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Penn Yan	4,650	Delivered		5.72	$6\frac{1}{2}$	0.78	American Sugar Ref. Co.
Phelps	1,306	New York and Rochester.	18–8	5.72	$6\frac{1}{2}$	.40	
Phoenix	1,532	Delivered		5.72	6	.28	American Sugar Ref. Co.
Plattsburg	8,434	....do		$5\frac{1}{2}$	$6\frac{3}{4}$	1.25	American Sugar Ref. Co. and Arbuckle Bros.
Port Chester	7,440	New York	7	$5\frac{1}{2}$	6	.43	American Sugar Ref. Co.
Port Jervis	9,385	....do	10	$5\frac{1}{2}$	$5\frac{3}{4}$	.15	Do.
Do	9,385	....do	16	$5\frac{1}{2}$	6	.34	
Port Jefferson		....do	10	$5\frac{1}{2}$	6	.40	Do.
Port Richmond		Delivered		5.6	$5\frac{3}{4}$	.15	American Sugar Ref. Co. and Mollenhauer Sugar Ref. Co.
Potsdam	3,843	....do		6	$6\frac{1}{2}$	.50	American Sugar Ref. Co.
Rensselaerville	7,466	....do		5.6	$6\frac{1}{2}$	.90	Mollenhauer Sugar Ref. Co.
Rochester	162,608	....do		5.77	$6\frac{1}{2}$	.73	Arbuckle Bros.
Do	162,608	....do		5.47	6	.53	Do.
Rome	15,343	New York	18	5.85	6	–.03	
Do	15,343	Delivered		5.45	6	.55	American Sugar Ref. Co.
Rondout		....do		5.79	$6\frac{1}{2}$	.71	Do.
Roslyn		New York	25–30	$5\frac{1}{2}$	6	.20	Do.
Rouse Point	1,675	Delivered		5.8	$6\frac{2}{3}$	.80	
Rye		....do		$5\frac{3}{4}$	6	.25	
Sag Harbor	1,969	New York	10	$5\frac{1}{2}$	$6\frac{1}{4}$	.65	
Do	1,969	....do	10	$5\frac{1}{4}$	7	1.65	Do.
Salamanca	4,251	....do	$13\frac{1}{2}$	5.63	$6\frac{1}{2}$	.74	Do.
Saratoga Springs	12,409	Albany	8	5.68	6	.24	Do.
Do	12,409	Delivered		$5\frac{1}{2}$	6	.50	
Schenectady	31,682	Albany	6	5.57	$6\frac{1}{2}$	.87	Do.
Do	31,682	Delivered		5.65	$6\frac{1}{2}$	.85	Do.
Sandy Hill	4,473	....do		5.61	6	.39	Do.
Seneca Falls	6,519	....do		5.72	6	.28	Do.
Southampton	2,289	New York	15	$5\frac{1}{4}$	6	.60	American Sugar Ref. Co. and Arbuckle Bros.
Southold		....do	10	$5\frac{1}{2}$	6	.40	American Sugar Ref. Co.
St. Johnsville	1,873	Delivered		5.65	6	.35	Do.
Do	1,873	....do		5.44	6	.56	Do.
St. Regis Falls	879	....do		$5\frac{3}{4}$	$5\frac{7}{8}$	.12	Do.
Stamford	901	New York	32	$5\frac{1}{4}$	$6\frac{1}{4}$	.68	Do.
Syracuse	108,374	Delivered		5.67	6	.33	Do.
Theresa	917	....do		5.55	6	.45	Do.
Troy	60,651	....do		$5\frac{1}{2}$	6	.50	Do.
Do	60,651	....do		$5\frac{1}{2}$	$5\frac{1}{2}$	.0	Do.
Do	60,651	....do		5.65	6	.35	Do.
Tuckahoe		New York	8	5.27	6	.65	Do.
Union Springs	994	Delivered		5.47	$6\frac{1}{2}$	1.03	Do.
Utica	56,383	....do		5.7	6	.93	
Do	56,383	....do		5.45	6	.55	American Sugar Ref. Co. and Mollenhauer Sugar Ref. Co.
Do	56,383	....do		5.85	$6\frac{1}{2}$	.65	American Sugar Ref. Co.
Waterford	3,146	New York	15	$5\frac{1}{4}$	6	.60	Do.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

NEW YORK—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Waterloo	4,256	Delivered		5.45	6½	1.05	American Sugar Ref. Co.
Watertown	21,696	do		5.8	6½	.70	Do.
Watervliet	1,571	do		5.57	6	.43	Do.
Do	1,571	do		5.65	6	.35	Do.
Waverly	4,465	do		5.72	6	.18	Do.
Do	4,465	do		5.45	5⅝	.10	Do.
Wayland	1,307	Corning	10	5.47	6	.43	Do.
Wellsville	3,556	New York	20	5.67	6	.13	American Sugar Ref. Co. and Arbuckle Bros.
West Coxsackie	2,735	Delivered	8	5.79	6	.21	American Sugar Ref. Co.
Westfield	2,430	do		5.76	7	.24	Do.
Whitestone		do		5½	6	.50	Do.
Wolcottsville	1,279	do		5.89	6½	.61	
Woodhaven		do		5½	5$\frac{5}{7}$	.21	Do.
Worcester	2,409	Albany	12	5.7	6	.18	Do.

NORTH CAROLINA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Clinton	958	Delivered		5.45	6½	1.05	
Durham	6,679	do		5½	6½	1	Arbuckle Bros.
Goldsboro	5,877	Norfolk	25	5$\frac{3}{10}$	6	.45	W. H. McCahan Sugar Co.
Kernersville	652	Delivered		5$\frac{7}{10}$	6½–7		
Lenoir	1,296	Richmond	40	5¼	7	1.10	
Lincolnton	828	New York	40	5⅖	7$\frac{1}{7}$	1.34	American Sugar Ref. Co. and Arbuckle Bros.
Madison	813	Norfolk	21	5¾	6½	.54	Franklin Sugar Ref. Co.[1]
Maxton	935	Richmond and Charleston.	38–32	5⅕	6¼	.67	
Monroe	2,427	Delivered		5¾	6	.25	American Sugar Ref. Co.
Mooresville	1,533	New York	33	5⅜	6½	.80	American Sugar Ref. Co. and Franklin Sugar Ref. Co.[1]
Mount Olive	617	Wilmington and Richmond.	16	5⅖	6½	.86	
Newbern	9,090	Delivered		5½	6½	1	
Raleigh	13,643	do		5.62	6½	.88	
Salem	3,642	do		5¾	6½	.75	
Shelby	1,874	New York	35	5.45			
Statesville	3,141	do	33⅓	5¼	6⅔	1.08	American Sugar Ref. Co.
Warrenton	836	Richmond	26	5$\frac{6}{10}$	7	1.14	Do.
Washington	4,842	New York	16	5.35	6½	.99	
Wilmington	20,976	do	10	5$\frac{3}{10}$	6	.60	
Do	20,976	Delivered		5.65	6	.35	Do.

NORTH DAKOTA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Bismarck	3,319	Fargo	38	6.57	7½	.55	Franklin Sugar Ref. Co.[1]
Cooperstown	648	Delivered		6¼	7¼	1	Do.
Fargo	9,589	do		6$\frac{1}{10}$	6⅔	.56	Do.
Do	9,589	do		6¼	6¾	.50	Do.
Do	9,589	Duluth	75	6	6⅔	−.09	Do.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued

NORTH DAKOTA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Grand Forks	7,652	Delivered		6 1/4	7 1/7	0.89	American Sugar Ref. Co.
Hillsboro	1,172	....do		6 1/4	6 3/4	.50	Franklin Sugar Ref. Co.[1]
Jamestown	2,853	Fargo and Duluth	25–48	6.33	7	.19	American Sugar Ref. Co. and Franklin Sugar Ref. Co.
Larimore	1,235	Grand Forks	12	6.38	7 1/7	.64	Franklin Sugar Ref. Co.[1]
Mandan	1,658	Delivered		6 4/10	8 1/3	1.93	Do.
Mayville	1,106	Fargo	45	6 1/8	6 2/3	.01	
Minot	1,277	Delivered		6.45	7 1/7	.69	
Valley City	2,446	Minneapolis	44	6.34	7	.22	
Wahpeton	2,228	....do	36	6.17	6 2/3	.13	American Sugar Ref. Co.

OHIO.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Akron	42,728	Delivered		5.56	[illegible]	.46	Arbuckle Bros.
Alliance	8,974	Philadelphia and New York.	16 1/2	5.76	6 1/2	.58	Arbuckle Bros. and Franklin Sugar Ref. Co.[1]
Antwerp	1,206	Delivered		5.71	6	.29	American Sugar Ref. Co.
Ashtabula	12,949	....do		5 1/2	6	.50	Do.
Barnesville	3,721	Wheeling	7	5.55	6 1/2	.88	Arbuckle Bros.
Bedford	1,486	Cleveland	7	5.79	6 1/2	.64	American Sugar Ref. Co.
Berea	2,510	....do	6 1/2	5 4/5	6 1/2	.64	Franklin Sugar Ref. Co.[1]
Bluffton	1,783	Delivered		5.81	6 1/2	.69	American Sugar Ref. Co. and Arbuckle Bros.
Cadiz	1,755	....do		5.53	6 3/4	1.22	Do.
Cardington	1,354	....do		5.81	6	.19	American Sugar Ref. Co.
Carrollton	1,271	Cleveland	14	5.79	7	1.07	Arbuckle Bros.
Cedarville	1,189	Xenia	6	5.56	6 1/4	.63	American Sugar Ref. Co.
Celina	2,815	Delivered		5.57	6 1/2	.93	American Sugar Ref. Co. and Arbuckle Bros.
Chagrin Falls	1,586	....do		5.78	6 1/2	.72	American Sugar Ref. Co.
Cincinnati	325,902	....do		5.35	5 1/2	.15	Do.
Do	325,902	....do		5.45	6	.55	Mollenhauer Sugar Ref. Co.
Circleville	6,991	....do		5.78	6 1/2	.72	American Sugar Ref. Co.
Cleveland	381,768	....do		5.53	6	.22	Do.
Do	381,768	....do		5.78	6 1/2	.72	American Sugar Ref. Co. and Arbuckle Bros.
Do	381,768	....do		5.78	6 1/2	.72	American Sugar Ref. Co.
Cleves	1,328	Cincinnati	25	5 2/5	6 1/4	.60	
Clyde	2,515	Toledo and Columbus.	8–13	5.88	6 1/2	.49	
Collinwood	3,639	Delivered		5.68	6	.32	American Sugar Ref. Co.
Columbiana	1,339	....do		5.79	6 1/4	.46	Franklin Sugar Ref. Co.[1] and W. H. McCahan Sugar Co.
Columbus	125,560	....do		5.53	6 2/3	1.13	American Sugar Ref Co.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

OHIO—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Columbus Grove	1,935	Delivered		5.57	7	1.43	American Sugar Ref. Co.
Connorville		Wheeling	[1] 6	5.77	6⅔	.82	
Cortland	620	Delivered		5.49	6	.51	Do.
Defiance	7,579	Toledo	8½	$5\frac{8}{10}$	6½	.62	Do.
Delta	1,230	Delivered		5.67	6	.33	Do.
Deshler	1,628	do		5.31	6	.69	
East Liverpool	16,485	Pittsburg	7½	$5\frac{4}{10}$	6¼	.78	
Findlay	17,613	Delivered		5.53	6½	.97	American Sugar Ref. Co. and Arbuckle Bros.
Fremont	8,439	Toledo	7	5.81	6½	.62	American Sugar Ref. Co. and Continental Beet Sugar Co.
Gallipolis	5,432	Delivered		5.55	6¼	.70	American Sugar Ref. Co.
Garrettsville	1,145	do		5.79	6½	.71	
Greenville	5,501	do		5.54	6½	.96	Standard Sugar Ref. Co.[1] and Arbuckle Bros.
Greenwich	849	Cleveland	[illegible]	5.81	6⅛	.22	
Hamilton	23,914	Delivered		5.65	6	.35	American Sugar Ref. Co.
Harrison	1,456	Cincinnati	[illegible]	$5\frac{6}{10}$	6¼	.31	
Hillsboro	4,535	do	10	$5\frac{7}{10}$	6¼	.45	Do.
Holgate	1,237	Delivered		5.89	6½	.61	Do.
Jackson	4,672	do		5.54	6¼	.71	American Sugar Ref. Co. and Arbuckle Bros.
Lancaster	8,991	do		5.53	6½	.97	Do.
Leetonia	2,744	do		5.73	6¼	.52	Do.
Lima	21,723	do		5.78	7½	1.72	Do.
London	3,511	do		5.51	6¼	.74	American Sugar Ref. Co.
Lorain	16,028	do		5¾	6½	.75	Do.
Loudonville	1,581	do		5.7	6½	.80	Arbuckle Bros.
Manchester	2,003	Cincinnati	10	5.35	6½	1.05	American Sugar Ref. Co.
Mansfield	17,640	Delivered		5.59	6½	.91	Do.
Marion	11,862	do		5.53	6½	.97	Do.
Maumee	1,856	do		5.85	6	.15	Do.
Medina	2,232	do		5.8	6½	.70	American Sugar Ref. Co. and Arbuckle Bros.
Miamisburg	3,941	do		5¾	6½	.75	
Millersburg	1,998	do		5.78	7	1.22	
Monroeville	1,211	do		5.56	6½	.94	American Sugar Ref. Co.
Montpelier	1,869	do		5.87	6½	.63	Do.
Mount Gilead	1,528	do		5.76	6¾	.24	
Mount Vernon	6,633	do		5.52	6⅔	1.14	Arbuckle Bros.
New Comerstown	2,659	do		5⅘	6½	.70	Arbuckle Bros. and American Sugar Ref. Co.
New London	1,180	do		5.54	6½	.96	
Do	1,180	do		5.55	6¼	.70	
New Philadelphia	6,213	do		5.52	6½	.98	Do.
New Straitsville	2,302	do		5.56	6¼	.69	
Niles	7,468	do		5.53	6¼	.72	American Sugar Ref. Co.
Do	7,468	Cleveland	10	5.53	6½	.87	Franklin Sugar Ref. Co.[1]

[1] Th

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

OHIO—Continued.

Town.	Population, 1900.	Shippirg point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
North Amherst	1,758	Cleveland and Toledo.	7½–14	5.8	6½	0.56	American Sugar Ref. Co.
North Baltimore	3,561	Delivered		5.56	6	.44	Do.
Norwalk	7,074	Toledo	10	5.51	5⅝	− .06	Do.
Oberlin	4,082	Delivered		5.53	6½	.97	Franklin Sugar Ref. Co.[1]
Oxford	2,009	do		5.57	6½	.93	American Sugar Ref. Co.
Painesville	5,024	do		5.54	6½	.96	American Sugar Ref. Co., Franklin, and Arbuckle Bros.
Paulding	2,080	do		5.57	6½	.93	
Quaker City	878	Wheeling	7½	5¾	6¼	.43	Franklin Sugar Ref. Co.[1]
Sabina	1,481	Cincinnati	10	5.8	6¼	.35	
Salineville	2,353	Cleveland	12–14	5.78	7	1.08	W. H. McCahan Sugar Co.
Sandusky	19,664	Delivered		5.73	6	.27	American Sugar Ref. Co., Franklin,[1] and Arbuckle Bros.
Shelby	4,685	do		5.56	6½	.94	American Sugar Ref. Co.
Springfield	38,253	do		5.89	6½	.61	Do.
St. Marys	5,359	Lima	7	5¾	7	1.18	
St. Paris	1,222	Springfield	8	5.81	6½	.61	Do.
Toledo	131,822	Delivered		5.53	6½	.97	Do.
Do.	131,822	do		5.78	6	.'22	Do.
Upper Sandusky	3,355	do		5.81	6½	.69	Do.
Urbana	6,808	do		5.56	6¼	.69	Do.
Wadsworth	1,764	do		5.65	6¼	.60	American Sugar Ref. Co. and Spreckels.
Wauseon	2,148	do		5.57	6	.43	American Sugar Ref. Co.
Washington C. H.	5,751	do		5.54	6½	.96	American Sugar Ref. Co. and Arbuckle Bros.
Westerville	1,462	do		5.55	6¼	.70	American Sugar Ref. Co.
Wilmington	3,613	do		5.72	6½	.78	Do.
Youngstown	44,885	New York	27	5.08	6⅓	.98	

OREGON.

Town.	Population, 1900.	Shippirg point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Astoria	8,381	Portland	7½	5 17/20	6⅔	.74	
Do.	8,381	Delivered		5½	6¾	1.25	Chinese sugar.
Forestgrove	1,096	Portland	8	5¾	6	.17	
Grants Pass	2,290	do	80	5.65	7 2/7	.83	Western Sugar Ref. Co.[1]
Independence	909	San Francisco	25½	5.55	6¼	.45	Do.
Junction City	506	Portland	30	5¾	6½	.45	Do.
Lebanon	922	San Francisco	35	6.10	6.35	− .10	Do.
Oregon City	3,494	Portland	5	5.80	6¼	.40	Do.
Portland	90,426	Delivered		5.65	6⅗	.95	Do.
Salem	4,258	San Francisco	23½	5.80	6	− .03	Do.
The Dalles	3,542	Delivered		5.88	6¾	.87	Do.
Woodburn	828	Portland	16	5.65	7	1.19	Do.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

PENNSYLVANIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Allegheny	129,896	Delivered		5.4	6¼	0.85	American Sugar Ref. Co.
Do	129,896	do		5.65	6¼	.60	American Sugar Ref. Co. and Franklin Sugar Ref. Co.[1]
Allentown	35,416	do		5.35	6	.65	American Sugar Ref. Co.
Ashland	6,438	Philadelphia	18	5.45	6½	.87	Franklin Sugar Ref. Co.[1]
Athens	3,749	Delivered		5.72	6½	.78	American Sugar Ref. Co.
Auburn	845	Philadelphia	13	5¼	6	.62	
Audenreid		Delivered		5.45	6½	1.05	
Barnesboro	1,482	Pittsburg	7	5.6	7	1.33	Arbuckle Bros.
Beaver	2,348	do	7	5¾	6¼	.43	
Beaverfalls	10,054	do	7	5.84	6⅔	.82	Do.
Bellwood	1,545	Delivered		5.74	6½	.76	American Sugar Ref. Co. and Arbuckle Bros.
Bennett		do		5.4	5.85	.45	Arbuckle Bros.
Bernice		New York	21	5.64	6½	.65	American Sugar Ref. Co.
Boiling Springs		Delivered		5.54	6	.46	
Boyertown	1,709	do		5¼	6½	1.25	
Bradford	15,029	New York	13	5.59	6¼	.53	Arbuckle Bros.
Brockwayville	1,777	Delivered		5.59	7	1.41	Franklin Sugar Ref. Co.[1]
Bryn Mawr		do		5.45	6	.55	Do.
Carnegie	7,330	Pittsburg	9	5.49	5½	—.08	American Sugar Ref. Co.
Carrick		Delivered		5.6	6¼	.65	Do.
Catasauqua	3,963	Allentown	4	5.82	6½	.64	Do.
Centralia	2,048	Delivered		5.7	7	1.3	Franklin Sugar Ref. Co.[1]
Chambersburg	8,864	do		5.55	6	.45	Do.
Christiana	828	Philadelphia	11	5¼	6	.39	Do.
Clarion	2,004	Delivered		5.74	6¼	.51	American Sugar Ref. Co.
Claysville	856	do		5.49	6	.51	
Clifton Heights	2,330	Philadelphia	8	5¼	6	.67	Franklin Sugar Ref. Co.[1]
Coraopolis	2,555	Pittsburg	7	5.45	6¼	.73	Standard Sugar Ref. Co.[1]
Cressona	1,738	Philadelphia	14	5.91	6½	.45	
Darby	3,429	Delivered		5¼	6	.75	W. H. McCahan Ref. Co.
Dauphin	566	do		5½	6	.50	
Dunbar	1,662	Pittsburg	11	5.48			American Sugar Ref. Co.
Duncansville	1,512	Delivered		5¼	6¼	1	
Dushore	884	do		5.67	6	.33	
East Downingtown.	2,133	Philadelphia	9	5.37	6	.54	Franklin Sugar Ref. Co.[1]
Elizabethtown	1,473	do	15	5.41	6	.44	Do.
Elklick	2,982	Delivered		5.65	6⅔	1.01	American Sugar Ref. Co. and Franklin Sugar Ref. Co.[1]
Emlenton	1,190	do		5.74	6	.26	American Sugar Ref. Co.
Erie	52,733	do		5.49	6	.51	
Falls Creek		do		6½	6	.50	Do.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

PENNSYLVANIA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Frankford	128	Delivered		$5\frac{1}{2}$	6	0.50	American Sugar Ref. Co.
Do.	128	do		5.35	$5\frac{1}{2}$	.15	W. H. McCahan Ref. Co.
Franklin	961	do		5.74	7	1.26	American Sugar Ref. Co.
Girardville	3,666	do		$5\frac{7}{10}$	$6\frac{1}{2}$	.80	American Sugar Ref. Co. and Franklin Sugar Ref. Co.[1]
Glen Campbell	1,628	do		$5\frac{3}{4}$	7	1.25	
Greatbend	836	do		5.87	$6\frac{1}{2}$	.63	American Sugar Ref. Co.
Greencastle	1,463	do		$5\frac{8}{10}$	$6\frac{1}{2}$	.70	Franklin Sugar Ref. Co.[1]
Greensburg	6,508	Pittsburg	6–8	$5\frac{1}{2}$	7	1.42	
Grove City	1,599	Delivered		5.53	$6\frac{1}{4}$	.72	American Sugar Ref. Co.
Harrisburg	50,167	do		5.56	6	.44	
Hawley	1,925	do		$5\frac{1}{2}$	$6\frac{1}{2}$	1	Do.
Homer City	570	New York	19	$5\frac{6}{10}$	$6\frac{1}{4}$	.46	Do.
Honesdale	2,864	Delivered		5.45	6	.55	Do.
Houtzdale	1,482	do		5.89	$6\frac{1}{4}$	.36	
Hughesville	1,528	Philadelphia	24	5.52	6	.24	Franklin Sugar Ref. Co.[1]
Huntingdon	6,053	Delivered		6	$6\frac{1}{2}$	.50	American Sugar Ref. Co.
Irvona	723	Philadelphia	21	5.49	7	1.30	Franklin Sugar Ref. Co.[1]
Irwin	2,452	Pittsburg	8	$5\frac{1}{4}$	6	.67	American Sugar Ref. Co.
Jeannette	5,865	Delivered		$5\frac{1}{2}$	6–7	.50	Franklin Sugar Ref. Co.[1]
Jermyn	2,567	do		5.65	$5\frac{3}{4}$	.10	
Jersey Shore	3,070	New York	19	5.87	7	.93	American Sugar Ref. Co.
Jessup		Delivered		$5\frac{7}{10}$	6	.30	American Sugar Ref. Co. and Arbuckle Bros.
Kingston	3,846	do		$5\frac{7}{10}$	$6\frac{1}{2}$	.80	Spreckels (Franklin).
Lancaster	41,459	do		5.66	6	.34	Franklin Sugar Ref. Co.[1]
Lansdale	2,754	do		5.36	$5\frac{1}{2}$	.14	American Sugar Ref. Co.
Lebanon	17,628	Philadelphia	$13\frac{1}{2}$	5.41	6	.46	
Do.	17,628	do	$13\frac{1}{2}$	$5\frac{4}{10}$	$6\frac{1}{2}$	.97	Franklin Sugar Ref. Co.[1]
Lewisburg	3,457	do	18	$5\frac{1}{2}$	$6\frac{1}{2}$	.82	Do.
Lewistown	4,451	Delivered		5.49	$6\frac{1}{2}$	1.01	
Liberty	[illegible]	Arnot	10	5.78	$6\frac{1}{2}$	.62	Mollenhauer Sugar Ref. Co.
Lockhaven	7,210	Delivered		5.87	$6\frac{1}{2}$	.63	Franklin Sugar Ref. Co.[1]
Luzerne	3,817	do		$5\frac{1}{2}$	7	1.5	
Lykens	2,762	Philadelphia	17	5	6	.83	
Mahanoy City	13,504	Delivered		5.68	6	.32	
Marietta	2,469	New York	14	$5\frac{6}{10}$	$6\frac{1}{2}$	.76	American Sugar Ref. Co. and Franklin Sugar Ref. Co.[1]
Martinsburg	590	Delivered		5.52	$7\frac{1}{4}$		Do.
Manheim	2,019	Philadelphia	16	$5\frac{1}{4}$	6	.59	Franklin Sugar Ref. Co.[1]
Mauch Chunk	4,029	New York	13	$5\frac{1}{2}$	$6\frac{1}{2}$	.87	American Sugar Ref. Co.
Meadville	10,291	Delivered		5.78	$6\frac{1}{2}$	.72	Do.
Mercer	1,804	do		5.85	$6\frac{1}{2}$	.65	

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

PENNSYLVANIA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Meyersdale	3,024	Delivered		5.74	6⅔	0.92	Franklin Sugar Re Co.[1]
Midway		Pittsburg	7	5.74	6¼	.44	American Sugar Re Co. and Arbuckl Bros.
Moores		Delivered		5.52	6	.48	Do.
Mount Carmel	13,179	do		5¾	7	1.25	Franklin Sugar Re Co.[1]
Do	13,179	do		5 6/10	6½	.90	Standard Sugar Re Co.[1]
New Brighton	6,820	do		5.94	6.56	.62	American Sugar Re Co.
Newcastle	28,339	New York	28	5.78	6½	.42	Do.
Do	28,339	Delivered		5.53	6-7	.47	American Sugar Re Co. and Arbuckl Bros.
Norristown	22,265	Philadelphia	7	5½	6	.43	Franklin Sugar Re Co.[1]
Parsons	2,529	Delivered		5.40	6¼	.85	American Sugar Re Co.
Patton	2,651	New York	16	5½	6	.34	
Pen Argyl	2,784	Delivered		5 4/10	[illegible]	.60	
Philadelphia	1,293,697	do		5.35	5½	.15	Franklin Sugar Re Co.[1]
Do	1,293,697	do		5¼	6	.75	American Sugar Re Co.
Do	1,293,697	do		5¼	5½	.25	Franklin Sugar Re Co.[1]
Do	1,293,697	do		5¼	6	.75	Do.
Do	1,293,697	do		5¾	6	.25	
Philipsburg	3,266	do		5.74	6¼	.51	
Pittsburg	321,616	do		5 4/10	6½	1.10	American Sugar Re Co. and Arbuckle Bros.
Pittston	12,556	do		5.45	5⅝	.10	
Reynoldsville	3,435	New York	24	5½	7	.26	American Sugar Re Co.
Rochester	4,688	Pittsburg	7	5¾	7	1.18	Do.
Royersford	2,607	Philadelphia	10	5.37	6	.53	Franklin Sugar Re Co.[1]
Schuylkill Haven	3,654	do	14	5.42	5½	-.06	Do.
Scranton	102,026	Delivered		5.95	6¼	.30	American Sugar Re Co.
Sharon	8,916	do		5.53	[illegible]	.47	Do.
Sharpsburg	6,842	do		5 6/10	6¼	.65	Franklin[1] and American Sugar Ref. Cos. and Arbuckle Bros.
Sheridanville	2,948	do		6 1/10	7	.90	Arbuckle Bros.
Slatington	3,773	Philadelphia	14	5.35	6	.51	Franklin Sugar Ref. Co.[1]
Somerset	1,834	Delivered		5.74	6¾	1.01	
Stroudsburg	916	do		5¾	6½	.75	American Sugar Ref. Co. and Arbuckle Bros.
St. Clair	4,638	Philadelphia	14	5½	6½	.86	Franklin Sugar Ref. Co.[1]
Sunbury	9,810	Delivered		5.85	6	.15	Do.
Tarentum	5,472	Pittsburg	7½	5¼	6½	1.18	Arbuckle Bros.
Titusville	8,244	Delivered		5.74	6½	.76	Arbuckle Bros., American Sugar Ref. Co., and W. H. McCahan.

[1] This company is controlled by the American Sugar Ref. co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

PENNSYLVANIA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Towanda	4,663	Delivered		5.47	$6\frac{1}{2}$	1.03	Arbuckle Bros. and American Sugar Ref. Co.
Union City	3,104	do		5.49	$6\frac{1}{2}$	1.01	American Sugar Ref. Co. and Franklin Sugar Ref. Co.[1]
Washington	7,670	do		5.56	6	.44	
Waterford	767	do		5.37	$6\frac{1}{4}$	.88	
Wayne		Philadelphia	8	$5\frac{4}{10}$	$5\frac{1}{2}$	.02	
Waynesburg	2,544	Delivered		5.89	$6\frac{1}{4}$	.36	
Wellsboro	2,954	do		5.89	$6\frac{1}{2}$	.61	American Sugar Ref. Co.
Westchester	9,524	do		$5\frac{1}{2}$	$5\frac{1}{2}$		Franklin Sugar Ref. Co.[1]
Wilkesbarre	51,721	New York	20	5	$6\frac{1}{2}$	1.30	American Sugar Ref. Co. and Arbuckle Bros
Wyoming	1,909	Delivered		5.45	6	.55	Franklin Sugar Ref. Co.[1]

RHODE ISLAND.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Block Island		Providence	10	5.45	$6\frac{1}{2}$	0.95	
Central Falls	18,167	Delivered		5.59	6	.41	American Sugar Ref. Co.
Do	18,167	Boston, Mass	7	$5\frac{3}{10}$	6	.63	
Centerville		Delivered		5.45	$6\frac{1}{4}$	.80	
East Greenwich	2,775	Providence	4	5.36	$6\frac{1}{4}$	.85	Standard Sugar Ref. Co.[1]
Newport	22,034	Delivered		$5\frac{1}{2}$	6	.50	American Sugar Ref. Co.
North Tiverton	2,977	do		5.44	$5\frac{15}{17}$	.44	Standard Sugar Ref. Co.[1] and Arbuckle Bros.
Pawtucket	39,231	do		5.54	5.88	.34	American Sugar Ref. Co.
Providence	175,597	do		5.59	6	.41	Do.
Do	175,597	do		$5\frac{6}{10}$	$6\frac{1}{4}$	.65	Revere Sugar Ref. Co.[1]
Prudence		Boston	7	$5\frac{3}{10}$	$5\frac{1}{2}$	.13	
Valley Falls		Delivered		5.54	6	.46	Standard Sugar Ref. Co.[1]
Wakefield		do		5.41	$5\frac{3}{4}$	.34	American Sugar Ref. Co.
Warren	5,108	Boston	5	$5\frac{3}{8}$	6	.58	Standard Sugar Ref. Co.[1]
Westerly	7,541	Delivered		5.36	$6\frac{1}{4}$	.89	American Sugar Ref. Co.
Wickford		Boston	8	5.59	$6\frac{1}{4}$	.58	

SOUTH CAROLINA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Anderson	5,498	Delivered		$5\frac{1}{2}$	$6\frac{1}{4}$	.75	American Sugar Ref. Co.
Beaufort	4,110	Charleston	[illegible]	$5\frac{1}{2}$	$6\frac{1}{4}$	.67	Do.
Columbia	21,108	do	22	5.22	$6\frac{1}{4}$	.81	Do.
Edgefield	1,775	Charleston and Augusta.	24	5.35	7	1.41	
Florence	4,647	Charleston	25	5.45	$6\frac{2}{3}$	.96	
Greenville	11,860	Philadelphia	40	$5\frac{1}{2}$	$5\frac{3}{4}$	.15	Franklin Sugar Ref Co.[1]

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

SOUTH CAROLINA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Mount Pleasant	2,252	Charleston	[1] 20	5.26	5½	0.17	
Newberry	4,607	do	24	5¼	6	.51	American Sugar Ref. Co.
Pacolet	365	do	30	5½	7	1.20	
Pelzer		do	30	5.45	6¼	.50	Do.
Rock Hill	5,485	Delivered		5½	6½	1	Standard Sugar Ref. Co.[2]
Spartanburg	11,395	do		5.85	6¾	.90	Franklin Sugar Ref. Co.[2]
Wallhalla	1,307	Charleston	37	5⅕	7	1.43	

SOUTH DAKOTA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Deadwood	3,498	Delivered		6⅓	7	.67	American Sugar Ref. Co.
Eureka	961	do		6.38	7	.62	Mollenhauer Sugar Ref. Co.
Madison	2,550	do		6.12	6¼	.13	Standard Sugar Ref. Co.[2]
Sioux Falls	10,266	do		6	6¼	.25	
Do	10,266	do		6	6½	.50	American Sugar Ref. Co.
Spearfish	1,166	do		6 6/10	7	.40	American Sugar Ref. Co. and Norfolk Sugar Ref. Co.
Yankton	4,125	do		6.04	6⅓	.29	Western Sugar Ref. Co.[2]

TENNESSEE.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Alexandria		Nashville	18	5 7/10	6¼	.37	American Sugar Ref. Co.
Athens	1,849	Chattanooga	22	5.45	6	.33	Franklin Sugar Ref. Co.[2]
Bellbuckle	665	Nashville	21	5 6/10	6½	.69	Atlantic Sugar Refinery.[2]
Bolivar	1,035	Memphis	25	5½	6½	.75	American Sugar Ref. Co.
Clarksville	9,431	New Orleans	22	5 4/10	6	.38	Henderson Sugar Ref. Co.
Columbia	6,052	do	37	5¾	7	.88	American Sugar Ref. Co.
Dyersburg	3,647	Delivered		5¾	6¼	.50	Do.
Jackson	14,511	New Orleans	32½	5.55	6¼	.38	Do.
Jonesboro	854	New York	34	5.45	6½	.71	Do.
Kingston	548	Chattanooga	25	5.65	6¼	.35	Do.
Knoxville	32,637	Delivered		5.59	6	.41	Franklin Sugar Ref. Co.[2]
Do	32,637	do		5.51	6	.49	Do.
Do	32,637	do		5 4/10	5¾	.35	Do.
Lawrenceburg	823	Nashville	31	5.71	6½	.49	
McMinnville	1,980	Delivered		5.35	6¾	1.40	Arbuckle Bros.
Do	1,980	do		6	7	1	
Maryville		Knoxville	10	5 6/10	6	.30	Franklin Sugar Ref. Co.[2]
Rogersville	1,386	New York	36	5.35	6	.29	American Sugar Ref. Co.
Trenton	2,328	Memphis	26	5¼	7	1.49	Do.

[1] Per barrel.

[2] This company is controlled by the American Sugar Refining Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

TEXAS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Amarillo	1,442	Delivered		5.90	$6\frac{2}{3}$	0.76	
Bartlett	957	do		5.85	$6\frac{2}{3}$	.81	American Sugar Ref. Co.
Beeville		Shreveport, La	37	$5\frac{7}{8}$	$6\frac{7}{8}$	.63	Do.
Bowie	2,600	Delivered		$5\frac{3}{4}$	$6\frac{1}{4}$	.50	Do.
Brackettville		do		$6\frac{1}{2}$	$7\frac{1}{2}$	1	
Bridgeport	900	Fort Worth	25	$5\frac{7}{8}$	$6\frac{1}{2}$	.38	Do.
Bryan	3,589	Delivered		$5\frac{3}{4}$	7	1.25	Do.
Burnet	1,003	Austin	30	6	$6\frac{1}{2}$	.20	
Caldwell	1,535	Delivered		5.65	7	1.35	Do.
Clarendon		do		$5\frac{7}{8}$	$6\frac{1}{4}$	.38	Do.
Clarksville	2,069	do		5.60	$6\frac{1}{4}$	.65	Do.
Collinsville	666	do		5.86	$6\frac{2}{3}$	.80	Do.
Columbus	1,824	do		$5\frac{3}{4}$	$6\frac{1}{4}$	.35	Do.
Corpus Christi	4,703	do		$5\frac{1}{2}$	7	1.5	Do.
Corsicana	9,313	do		$5\frac{3}{4}$	6	.25	Do.
Dallas	42,638	do		$5\frac{3}{4}$	$6\frac{1}{4}$	.50	Do.
Do	42,638	New Orleans	44	5	$6\frac{1}{2}$	.81	Do.
Do	42,638	Delivered		6	$6\frac{1}{2}$	.50	Do.
Detroit		do		5.60	$6\frac{1}{4}$	.65	
Eagle Pass		do		6	7	1	
Edna		Victoria	25	$5\frac{3}{4}$	7	1	
Ennis	4,919	Delivered		5.55	6	.45	Do.
Fort Worth	26,688	do		5.85	$6\frac{1}{10}$	.25	American Sugar Ref. Co., and Arbuckle Bros.
Do	26,688	do		6.06	$6\frac{1}{2}$	.44	American Sugar Ref. Co.
Gainesville	7,874	do		5.65	$6\frac{1}{4}$	.60	Do.
Galveston	37,789	do		$5\frac{1}{2}$	6	.50	Do.
Gatesville	1,865	do		5.60	$6\frac{2}{3}$	1.06	
Georgetown	2,790	do		5.90	$6\frac{1}{2}$	.60	Do.
Graham	878	Jacksboro	20	6.06	$7\frac{1}{4}$	.99	Do.
Granbury	1,410	Delivered		5.85	$6\frac{2}{3}$	.81	Do.
Greenville	6,860	do		5.80	$6\frac{1}{4}$	.45	Do.
Hearne	2,129	do		5.40	7	1.20	Do.
Henrietta	1,614	do		$5\frac{3}{4}$	6	.25	Do.
Hico	1,480	do		5.95	$6\frac{1}{4}$	.30	Do.
Houston	44,633	do		$5\frac{3}{4}$	$6\frac{1}{2}$	.75	Do.
Do	44,633	do		$5\frac{5}{8}$	$6\frac{2}{3}$	1.04	
Huntsville	1,608	do		$5\frac{13}{16}$	$6\frac{1}{2}$	.69	Henderson Sugar Ref. Co.
Italy	1,061	do		5.60	7	1.40	American Sugar Ref. Co.
Kerrville	1,423	do		5.89	$6\frac{1}{2}$	.61	Henderson Sugar Ref. Co.
Kyle		San Marcos	20	5.90	$6\frac{1}{4}$	.15	American Sugar Ref. Co.
Ladonia	1,409	Delivered		5.85	$6\frac{1}{2}$	.65	Do.
Lando		do		$5\frac{1}{2}$	$6\frac{1}{4}$	.75	Do.
Long View	3,591	do		5.85	7	1.15	Do.
Luling	1,349	do		$5\frac{3}{4}$	$6\frac{1}{2}$	.75	Do.
McGregor	1,435	do		$5\frac{9}{10}$	$6\frac{1}{3}$	.43	Do.
Mexia	2,393	do		$5\frac{7}{8}$	6	.13	Do.
Midland		do		$5\frac{7}{10}$	7	1.30	Do.
Mineral Wells	2,048	do		$5\frac{6}{10}$	6	.40	Do.
Pilot Point		do		$5\frac{5}{8}$	$6\frac{1}{4}$	.63	Do.
Port Arthur	900	Houston	20	5.55	$6\frac{1}{4}$	.50	Henderson Sugar Ref. Co.
San Antonio	53,321	Delivered		$5\frac{8}{10}$	$6\frac{1}{4}$	.45	Do.
Sherman	10,243	do		$5\frac{9}{10}$	$6\frac{1}{2}$	.60	American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

TEXAS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Tyler	8,069	New Orleans	44	5⅝	6½	0.44	American Sugar Ref. Co.
Do	8,069	Delivered		5.85	7	1.15	Do.
Victoria	4,010	do		6	6½	.50	Do.
Waco	20,686	do		5¾	6¼	.50	
Do	20,686	do		5 4/10	6½	1.10	
Wichita Falls	2,480	do		5.92	6¼	.33	Do.
UTAH.							
Brigham	2,859	Ogden	15	6 3/10	6½	.05	Ogden Sugar Co.[1]
Heber	1,534	Provo City	20	6⅕	7	.60	Lehi Sugar Co.
Kaysville	1,708	Ogden	10	6¼	7	.65	Ogden Sugar Co. and Utah Sugar Co.
Lehi	2,719	Delivered		6	6¼	.25	Utah Sugar Co.
Mount Pleasant	2,372	Salt Lake City	34	6¼	7½	.91	Lehi Sugar Co.
Park City	3,759	do	17	6 3/10	7 6/10	1.13	Utah Sugar Co.
Pleasant Grove	2,460	Delivered		6¼	7	.75	Lehi Sugar Co.
Provo City	6,185	do		6 4/10	6 7/10	.30	Utah Sugar Co.
Salt Lake City	53,531	do		6.35	6¾	.40	Do.
Do	53,531	do		6⅙	6⅝	.46	Do.
Smithfield	1,494	Ogden	25	6	7	.75	Ogden Sugar Co. and Lehi Sugar Co.
Spanish Fork	2,735	Provo City	8	6 3/10	6½	.12	Utah Sugar Co.
Springville	3,422	Delivered		6 2/10	6½	.30	Do.
VERMONT.							
Barton Landing	1,050	Boston	25	5½	6	.25	American Sugar Ref. Co.
Bellows Falls	4,337	do	15	5 3/10	5⅝	.10	
Bethel	1,611	Burlington	25	5¾	6½	.50	Mollenhauer Sugar Ref. Co.
Bradford	614	Boston	22	5.35	6	.43	Revere Sugar Ref. Co.[2]
Derby Line	297	do	23	5.45	6	.32	American Sugar Ref. Co.
Hardwick	1,334	Delivered		5½	6	.50	Standard Sugar Ref. Co.[2]
Hartford	3,817	do		5.65	6¼	.60	American Sugar Ref. Co.
Middleburg	1,897	Boston	23	5 3/10	6¼	.72	Revere Sugar Ref. Co.[2]
Montpelier	6,266	do	25	5.35	6½	.90	
Morrisville	1,262	Delivered		5¾	6¼	.50	
Newport	1,874	Boston	25	5.45	6¼	.55	American Sugar Ref. Co.
Northfield	1,508	Delivered		5.84	6½	.66	Do.
Randolph	1,540	White River Junction.	10	5½	6	.40	
Royalton	1,427	Delivered		5¾	6	.25	
Rutland	11,499	do		5.56	6	.44	Do.
St. Albans	6,239	Boston	22	5.35	6¼	.68	Revere Sugar Ref. Co.[2]
Do	6,239	do	25	5.35	6¼	.65	Do.
Stowe	500	Waterbury	8	5 8/10	7	1.12	
Swanton	1,168	Delivered		5¼	6½	1.25	
Windsor	1,656	do		5.35	5⅝	.20	Do.
Woodstock	1,284	do		5.81	6½	.69	American Sugar Ref. Co.

[1] Beet-sugar companies in all cases in this State.
[2] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

VIRGINIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Buena Vista	2,388	Lynchburg	14	$5\frac{1}{2}$	$6\frac{1}{2}$	0.86	
Danville	16,520	Delivered		$5\frac{7}{10}$	6	.30	
Farmville	2,471	Richmond	16	$5\frac{4}{10}$	$5\frac{3}{4}$	.19	Franklin Sugar Ref. Co.[1]
Fredericksburg	5,068	Philadelphia	30	5.45	[illegible]	.25	Do.
Hampton	3,441	Delivered		5.45	[illegible]	.55	Do.
Leesburg	1,513	Alexandria	15	5.59	7	1.26	American Sugar Ref. Co.
Luray	1,147	Delivered		5.55	$6\frac{1}{2}$	.95	
Lynchburg	18,891	do		$5\frac{6}{10}$	$6\frac{1}{2}$	.90	Do.
Marion	2,095	do		$5\frac{1}{4}$	$6\frac{1}{2}$	1.25	
Newport News	19,635	Norfolk	5	5.45	6	.50	Franklin Sugar Ref. Co.[1]
Norfolk	46,624	Philadelphia	10	5.35	$5\frac{1}{2}$	.05	W. H. McCahan.
Petersburg	21,810	Delivered		5.32	6	.68	
Portsmouth	17,427	do		5.45	6	.55	Franklin Sugar Ref. Co.[1]
Do.	17,427	New York and Philadelphia.	10	$5\frac{4}{10}$			Franklin Sugar Ref. Co. and Arbuckle Bros.
Richmond	85,050	Delivered		5.17	$5\frac{1}{2}$	.33	Franklin Sugar Ref. Co.[1]
Do.	85,050	Philadelphia and New York.	10	$5\frac{6}{10}$	6	.30	Do.
Winchester	5,161	Delivered		$5\frac{4}{10}$	6	.60	W. H. McCahan.

WASHINGTON.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Ballard	4,568	Seattle	30	5.65	6	.05	Western Sugar Ref. Co.[1]
Blaine	1,592	do	20	$5\frac{3}{4}$	$6\frac{1}{2}$	.55	
Centralia	1,600	Takoma	16	5.65	$6\frac{1}{4}$	.44	Do.
Cheney	781	Spokane	10	$6\frac{1}{2}$	$7\frac{1}{7}$	.54	Western Sugar Ref. Co.[1] and Hawaiian Sugar Ref. Co.
Davenport	1,000	do	18	$6\frac{4}{10}$	$7\frac{1}{2}$	.92	
Ellensburg	1,737	Seattle	50	$5\frac{7}{8}$	$7\frac{1}{4}$	.88	
Hoquiam	2,600	San Francisco	20	5.65	[illegible]	.15	Western Sugar Ref. Co.[1]
Ilwaco	584	Portland	$17\frac{1}{2}$	$5\frac{3}{4}$	$6\frac{7}{8}$	.95	California Sugar Refinery.
Montesano	1,194	San Francisco	10	$5\frac{5}{8}$	6	.28	American Sugar Ref. Co.
Olympia	4,082	Delivered		6	$6\frac{2}{3}$	.66	Do.
Port Townsend	3,443	San Francisco	[illegible]	$5\frac{3}{4}$	6	.05	Western Sugar Ref. Co.[1]
Pullman	1,308	Delivered		$6\frac{1}{2}$	7	.50	Do.
Seattle	80,671	do		5.87	$6\frac{2}{3}$	.79	Do.
Snohomish	2,101	Seattle	8.7	$5\frac{3}{4}$	7	1.16	Do.
Spokane	36,848	Delivered		6	$6\frac{1}{2}$	.50	
Do.	36,848	do		6.22	7	.78	Do.
Tacoma	37,714	do		5.68	7	1.32	Do.
Do.	37,714	do		5.67	$6\frac{2}{3}$	.99	Do.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

WEST VIRGINIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Beaver		Cumberland	14	5.31	7	1.55	
Clarksburg	4,050	Delivered		5.56	6⅔	1.10	Arbuckle Bros.
Shepherdstown	1,184	Baltimore	25	5.65	6½	.60	American Sugar Ref. Co. and Arbuckle Bros.
Wellsburg	2,588	Wheeling	7	5.72	6⅔	.87	Franklin Sugar Ref. Co.[1]
Weston	2,560	Delivered		5.92	6½–7	.58	Arbuckle Bros.
Wheeling	38,878	do		5.67	6½	.83	Franklin Sugar Ref. Co.[1] and Arbuckle Bros.

WISCONSIN.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Appleton	15,085	Milwaukee and Chicago.	16	$5\frac{9}{10}$	6¼	.19	American Sugar Ref. Co.
Arcadia	1,273	Delivered		5.62	6½	.88	Do.
Barron	1,493	Chicago	28	5¾	6⅔	.63	Do.
Barronett		Delivered		5.92	6½	.58	
Beloit	10,436	do		5.87	6¼	.38	American Sugar Ref. Co. and Mollenhauer Sugar Ref. Co.
Berlin	4,489	Milwaukee	16	5.63	6½	.71	Mollenhauer Sugar Ref. Co.
Do	4,489	Delivered		5.65	6¼	.60	
Black River Falls	1,938	Chicago	22½	5.68	6¼	.35	American Sugar Ref. Co.
Burlington	2,526	do	14	5.61	6	.25	
Cedarburg	1,626	Milwaukee	9	5.72	6	.19	Do.
Chilton	1,460	do	16	$5\frac{6}{10}$	6	.24	Do.
Darlington	1,808	Chicago and Milwaukee.	20	5.67	6¼	.38	Do.
Delavan	2,244	Delivered		5.85	6	.15	Do.
Elkhorn	1,731	do		6	6¼	.25	
Elroy	1,685	do		5.96	6¼	.29	Do.
Grand Rapids	4,493	do		5.67	6¼	.58	Do.
Green Bay	18,684	Manitowoc	12	5.84	6⅔	.70	Mollenhauer Sugar Ref. Co.
Hartford	1,632	Milwaukee	13	$5\frac{6}{10}$	6	.27	American Sugar Ref. Co.
Horicon	1,376	do	15½	5.72	6	.13	Mollenhauer Sugar Ref. Co.
Hudson	3,259	Delivered		5.66	6⅔	0	American Sugar Ref. Co.
Janesville	13,185	Chicago	$17\frac{6}{10}$	5.58	6⅔	.91	
Kenosha	11,606	Milwaukee and Chicago.	10	5.59	6	.31	American Sugar Ref. Co. and Mollenhauer Sugar Ref. Co.
Lancaster	2,403	Chicago	23	6	6½	.10	Do.
Madison	19,164	Delivered		5.62	6	.38	Do.
Marinette	16,195	do		5.65			American Sugar Ref. Co.
Mauston	1,718	do		5.67	6	.33	Mollenhauer Sugar Ref. Co.
Menomonie	5,655	Chicago	25	5.72	6⅔	.69	Do.
Milwaukee	285,315	Delivered		5½	5½	0	
Do	285,315	do		5.95	6½	.55	Do.
Do	285,315	do		$5\frac{8}{10}$	5½	—.30	Do.

[1] This company is controlled by the American Sugar Ref. Co.

TABLE II.—*Wholesale and retail prices of granulated sugar*—Continued.

WISCONSIN—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
			Cents.	*Cents.*	*Cents.*	*Cents.*	
Mineralpoint	2,991	Delivered		5.73	6¼	0.52	
Necedah	1,209	do		5.47	6	.53–.78	
Oconto	5,646	do		5.45	7	1.55	
Onalaska	1,368	La Crosse	[illegible]	5$\frac{7}{10}$	6½	.74	American Sugar Ref. Co.
Prairie du Chien	3,232	Delivered		5$\frac{9}{10}$	6¼	.35	
Princeton	1,202	Milwaukee	18	5.88	6½	.44	American Sugar Ref. Co. and Franklin Sugar Ref. Co.[1]
Reedsburg	2,225	Delivered		5.67	[illegible]	.33	Do.
Richland Center	2,321	do		5.95	6¼	.30	
Ripon	3,818	Chicago	20	5.68	6¼	.37	American Sugar Ref. Co.
River Falls	2,008	Delivered		5.82	6¼	.43	Franklin Sugar Ref. Co.[1]
Shawano	1,863	Milwaukee	20	5½	6	.30	American Sugar Ref. Co.
Sheboygan	1,301	Delivered		5.57	[illegible]	.43	
Sturgeon Bay	3,372	Milwaukee and Green Bay.	20	5$\frac{6}{10}$	6½	.80	
Waupun	3,185	Delivered		5$\frac{8}{10}$	7	1.20	Do.
Wausau	12,354	do		5.64	5.64	[illegible]	Do.
West Superior		do		5$\frac{9}{10}$	7	1.10	American Sugar Ref. Co. and Arbuckle Bros.

WYOMING.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess of retail above wholesale price, freight deducted, per pound.	Maker.
Carbon	634	San Francisco	75	5.45	7½	.94	Western Sugar Ref. Co.[1]
Cheyenne	14,087	do	76	[illegible]	7	.24	California Sugar Ref. Co.
Laramie	8,207	do	75	6.18	7	.07	California Sugar Ref. Co. and Western Sugar Ref. Co.[1]
Do	8,207	do	75	6$\frac{1}{10}$	7	.15	Western Sugar Ref. Co.[1]
Rock Springs	4,363	do	75	6.16	6¾	—.16	Do.
Sheridan	1,559	Delivered		6.65	7	.35	

[1] This company is controlled by the American Sugar Ref. Co.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder.*

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
ALABAMA.						
			Cents.	*Cents.*	*Cents.*	*Cents.*
Anniston	9,695	Delivered		$38\frac{3}{4}$	50	$11\frac{1}{4}$
Decatur	3,114	....do		42	50	8
Florence	6,478	....do	[1]25	40	50	$4\frac{1}{8}$
Gadsden	4,282	....do		42	50	8
Livingston	851	....do		40	50	10
Montgomery	30,346	....do		40	50	10
New Decatur	4,437	....do		43	50	7
Ozark	1,570	....do		$43\frac{1}{2}$	50	$6\frac{1}{2}$
Pratt City	3,485	Bingham	8	$42\frac{1}{2}$	50	7.42
Successor		Delivered		40	50	10
ARKANSAS.						
Bentonville	1,843	Delivered		40	50	10
Berryville	551		20	$40\frac{5}{12}$	50	9.38
Conway	2,003	Chicago, Ill	75	40	50	9.25
Corning	784	St. Louis, Mo	81	40	50	9.19
Fayetteville	4,061	Chicago, Ill	103	$37\frac{1}{2}$	$41\frac{2}{3}$	3.13
Fort Smith	11,587	Delivered		42	50	8
Hot Springs	9,973	....do		$39\frac{7}{12}$	45	5.41
Do	9,973	....do		40	50	10
Little Rock	38,307	....do		$38\frac{3}{4}$	45	6.25
Do	38,307	....do		$40\frac{5}{12}$	50	9.58
Malvern	1,582	Little Rock	26	$40\frac{1}{2}$	50	9.24
Mammoth Spring	717	Delivered		42.50	50	7.50
Nashville	928	....do		41.50	50	8.50
Siloam Spring	1,708	Kansas City	48	37	45	7.52
Texarkana	4,914	Delivered		$41\frac{2}{3}$	50	8.33
Warren	954	....do		42	50	8
CALIFORNIA.						
Alameda	16,464	Delivered		40	45	5
Bakersfield	4,836	San Francisco	72	40	50	9.28
Do	4,836	....do	73	$41\frac{1}{2}$	50	7.77
Chico	2,640	....do	25	$40\frac{1}{2}$	50	9.25
Colusa	1,441	....do	20	$41\frac{3}{4}$	55	13.24
Coronado	935			41	45	4
Grass Valley	4,719	Sacramento and San Francisco.	50	40	50	9.50
Jamestown		....do	35	$41\frac{1}{4}$	50	8.40
Lorin		....do	10	41	45	3.99
Los Angeles	102,479	Delivered		40	45	5
Do	102,479	....do		40	45	5
Marysville	3,497	San Francisco	15	$41\frac{1}{4}$	50	8.24
National City	1,086	San Diego	5	$41\frac{1}{4}$	50	8.70
Oroville	554	Sacramento	15	$40\frac{1}{2}$	50	9.35
Pasadena	9,117	Los Angeles	8	$40\frac{5}{12}$	50	9.51

[1] Case.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

CALIFORNIA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Pasadena	9,117	Los Angeles	8	41	50	8.2
Placerville	1,748	Sacramento	30	40	50	9.70
Pleasanton	1,100	San Francisco	16	41¾	50	8.09
Sacramento	29,282	Delivered		40	45	5
Do	29,282	.....do		40½	50	9.50
San Jose	21,500	San Francisco	7½	41¼	45	3.68
San Rafael	3,878	.....do	7	40	45	4.93
Rialto		New York	50	38⅓	50	11.17
San Diego	17,700	Delivered		40	50	10
San Francisco	342,782	.....do		38⅓	45	6.67
Do	342,782	.....do		41¼	50	8.75
Santa Cruz	5,659	San Francisco		41¼	50	8.75
Santa Rosa	6,673	.....do	15	40½	50	9.49
Stockton	17,506	.....do	(?)	42	50	8
Vallejo	7,965	Delivered		41¼	50	8.75
Visalia	3,085	San Francisco	54	41¼	50	8.21

COLORADO.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Buenavista	1,006	Denver		[1]32	40	8
Denver	133,859	Delivered		41	45	4
Fort Collins	3,054	.....do		40	45	5
Greeley	3,023	Denver	29	40⅚	50	8.88
La Junta	2,513	Pueblo	27	43	50	6.73

CONNECTICUT.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Bristol	6,268	Delivered		39	45	6
Bridgeport	70,996	New York	8	38¾	40	1.17
Brooklyn	2,358	Providence	8	39	50	10.92
Danbury	16,537	Delivered		39 7/12	45	5.41
Greenwich	2,420	New York	[2]5	39	45	6
Milford	3,783	.....do	12	38¾	45	6.13
Mystic		Delivered		39	45	6
New Britain	25,998	.....do		37	42	5
New Grosvenor Dale		.....do		40	50	10
Norwich	17,251	.....do		39 7/12	47	7.58
Seymour	3,541	New Haven	6	39 7/12	45	5.35
South Manchester		Delivered		[3]35	40	5
Southport		.....do		38¾	50	11.25
Stafford Springs	2,460	.....do		38¾	43	4.25
Stamford	15,997	New York	[4]1½–2½	38	45	7
Stonington	2,278	.....do	13	40	50	9.87
Stratford	3,657	Delivered		40	45	5
Waterbury	45,859	.....do		39 7/12	42	2.41

DELAWARE.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Delaware City	1,132	Philadelphia	[2]10–15	38¾	50	11.25
Wilmington	76,508	Delivered		40	45	5

[1] 12-ounce can.
[2] Box.
[3] Bought from Hartford jobber; apparently a cut price.
[4] Dozen.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

FLORIDA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Gainesville	3,633	New York	89	40	45	4.1
Miami	1,681	Delivered		41	45	4
Milton	1,204	Pensacola	[1] 3	40 5/12	50	9.5
Palatka	3,301	Delivered		38½	45	6.6
Pensacola	17,747	New York	87	38¾	[2] 41¾	2.6
St. Augustine	4,272	do	68	38¾	50	10.5

GEORGIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Americus	7,674	New York	11	41	50	8.8
Augusta	39,441	Delivered		40 5/12	50	9.5
Brunswick	9,081	do		40	50	10
Columbus	17,614	New York	73	38¾	45	5.5
Cuthbert	2,641	Delivered		38¾	50	11.2
Eastman	1,235	do		41	50	9
Tifton	1,384	Macon	39	41	50	8.61
Milledgeville	4,219	Delivered		39	50	11
Newnan	3,654	Atlanta	13	41¾	50	8.1
Thomasville	5,322	New York	75	38¾	50	10.5

IDAHO.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Caldwell	997	Portland, Oreg	110	42	50	6.9
Moscow	2,484	Delivered		40	60	20

ILLINOIS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Amboy	1,826	Delivered		40	50	10
Ashland	1,201	do		39¾	45	5.25
Astoria	1,684	Peoria	24	40	50	9.76
Belleville	17,484	St. Louis	10	39⅓	45	5.57
Bement	1,484	Chicago	20	39	45	5.80
Bloomington	23,286	do	16	37½	50	12.96
Braceville	1,669	Delivered		40	50	10
Bunkerhill	1,279	St. Louis	20	38¾	40	1.05
Cairo	12,566	New York	64	38¾	45	5.61
Do	12,566	Chicago	37	37¼	45	7.38
Canton	5,664	Chicago and Peoria	27 & 17	39 7/12	45	5.15
Carrollton	2,355	Delivered		36½	40	3.50
Centralia	6,721	Chicago	25	39⅙	45	5.59
Chenoa	1,512	do	25 & 19	39 7/12	50	10.17
Chicago	1,698,575	Delivered		39 7/12	50	10.58
Do	1,698,575	do		37	45	8
Do	1,698,575	do		37½	45	7.50
Do	1,698,575	do		35 5/12	45	9.58
Do	1,698,575	do		39 7/12	45	5.41
Chillicothe	1,699	do		39 7/12	45	5.41
Danville	16,354	do		38	50	12
Delavan	1,304	do		40 5/12	50	9.58
Duquoin	4,353	do		[3] 41¾	50	8.25
Earlville	1,122	Chicago	18	31¼	40	8.57
Edwardsville	4,157	St. Louis	7	40	50	9.93
Effingham	3,774	Terre Haute, Ind	20	41¾	50	8.05
Eureka	1,661	Delivered		40	50	10
Galesburg	18,607	do		40 5/12	45	4.58
Geneva	2,446	do		41	45	4

[1] Case. [2] Probably wholesale dealer. [3] 12 ounce can.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

ILLINOIS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Grayville	1,948	Vincennes	20	$41\frac{1}{4}$	50	8.05
Greenfield	1,085	St. Louis	13	$40\frac{5}{12}$	40	—.71
Griggsville	1,404	Chicago	22	40	50	9.78
Hillsboro	1,937	Delivered		40	45	5
Hoopeston	3,823	New York	40–50	38	45	6.60
Jacksonville	15,078	Chicago	24	40	50	9.76
Jerseyville	3,517	Chicago and Alton	18–24	40	50	9.82
Kewanee	8,382	Delivered		$40\frac{5}{12}$	50	9.58
Kinmundy	1,221	....do		38	45	7
Lacon	1,601	Peoria	10	$37\frac{1}{2}$	45	7.40
Lewistown	2,504	Peoria and Chicago	17–29	$39\frac{7}{8}$	50	9.96
Marion	2,510	St. Louis	44	$36\frac{2}{3}$	50	12.90
Marseilles	2,559	Chicago	18	$40\frac{5}{8}$	50	8.99
Mattoon	9,622	Decatur	12	$39\frac{1}{8}$	45	5.72
Monmouth	7,460	Delivered		40	50	10
Mount Carmel	4,311	....do		40	50	10
Milford	1,077	Chicago	20	$40\frac{5}{12}$	50	9.39
Minonk	2,545	Delivered		41	50	9
Morrison	2,308	....do		42	45	3
Mount Carroll	1,965	....do		42	50	8
Mound City	2,705	St. Louis and Chicago	19	40	45	4.81
Naperville	1,699	Chicago	15	40	50	9.85
Nauvoo	1,321	Burlington and Keokuk	8–15	41	50	9.85
Oregon	1,577	Chicago	24	$38\frac{3}{4}$	45	6.01
Ottawa	10,588	Delivered		$40\frac{5}{12}$	50	9.58
Peoria	56,100	....do		40	45	5
Savanna	3,325	....do		40	45	5
Sumner	1,268	St. Louis	20	40	50	9.80
Taylorville	4,248	Chicago	18	$39\frac{7}{12}$	50	10.24
Upper Alton	2,373	Delivered		$40\frac{5}{12}$	45	4.59
Vandalia	2,665	....do		38	50	12
Virden	2,280	....do		40	50	10
Virginia	1,600	Peoria	30	35	50	14.70
Warren	1,327	Delivered		41	45	4
Warsaw	2,335		10	40	50	9.90
Whitehall	2,030	Chicago	23	$37\frac{1}{2}$	50	12.21
Wilmette	2,300	....do	12	$39\frac{1}{2}$	42	2.55
Wyoming	1,277	Delivered		38	50	12

INDIANA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Albion	1,324	Toledo	$21\frac{1}{2}$	$40\frac{5}{12}$	50	9.38
Alexandria	1,721	Muncie	10	$38\frac{3}{4}$	45	6.15
Angola	2,141	Delivered		42	45	3
Attica	3,005	Chicago	20	$39\frac{1}{2}$	50	10.30
Auburn	3,396	Delivered		40	45	5
Bedford	6,115	New York	45	39	50	10.55
Do	6,115	Cincinnati	20	$39\frac{7}{12}$	45	5.22
Bourbon	1,187	Chicago	20	$40\frac{5}{12}$	50	9.39
Brazil	7,786	Terre Haute	9	$39\frac{7}{12}$	45	5.33
Brookston	949	Chicago	20	$40\frac{1}{2}$	45	4.30
Cannelton	2,188	New York	[1]65	$38\frac{5}{12}$	45	5.94
Columbus	8,130	Delivered		40	45	5
Connersville	6,836	New York	38	$38\frac{1}{3}$	45	5.29
Crawfordsville	6,649	Delivered		37	45	8
Crownpoint	2,336	Chicago	10	39	45	5.90
Delphi	2,135	New York	50	$38\frac{3}{4}$	45	5.75
Dublin	698	Richmond, Ind	7	40	50	9.93
East Chicago	3,411	Chicago	7	40	49	8.93
Edinburg	1,820	Indianapolis	8	$39\frac{7}{12}$	45	5.34
Fort Wayne	45,115	Delivered		$39\frac{7}{12}$	45	5.42

[1] Barrel.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

INDIANA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Fort Wayne	45,115	Delivered		40	45	5
Greencastle	3,661	....do		39½	50	10.50
Greenfield	4,489	....do		39 7/12	50	10.42
Greensburg	5,034	Indianapolis	15	40	45	4.85
Hartford City	5,912	Chicago	14	37½	50	12.36
Indianapolis	169,164	Delivered		39 7/12	45	5.42
Do	169,164	....do		39 7/12	45	5.42
Jeffersonville	10,774	New York	44	38¾	45	5.81
Knightstown	1,942	....do	47	38	45	6.53
Lawrenceburg	4,326	Delivered		37½	45	7.50
Madison	7,835	Cincinnati, Ohio	10	40	45	4.90
Michigan City	1,485	Chicago	10	39 7/12	50	10.32
Monticello	2,107	....do	12	40½	45	4.38
Mount Vernon	5,132	New York	40	38¾	50	10.85
Nappanee	2,208	Chicago	15	40½	50	9.35
Oakland City	1,991	Indianapolis	21½	40 5/12	50	9.38
Plymouth	3,656	South Bend	11	40 5/12	50	9.48
Richmond	18,226	Delivered		39	45	6
Rockport	2,882	New York	41	38¾	45	5.84
Seymour	6,445	Delivered		40	45	5
South Bend	35,999	New York	48	38¾	45	5.77
Sullivan	3,118	Delivered		40	50	10
Terre Haute	36,673	New York	50	38¾	45	5.75
Tipton	3,764	Indianapolis	13	38¾	45	6.12
Valparaiso	6,280	Chicago	12	38¾	45	6.13
Vincennes	10,249	New York	56	40	45	4.44
Do	10,249	....do	53	39	45	5.47
Wabash	8,618	Indianapolis	12	39	50	10.88
Winamac	1,684	Chicago	21	40 5/12	50	9.38
Winchester	3,705	Muncie	8	39 5/12	50	10.51

IOWA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Atlantic	5,046	Des Moines	15	41	45	3.85
Anita	986	....do	16	[1]30	40	9.84
Audubon	1,866	Delivered		40 5/12	50	9.58
Bellevue	1,607	Dubuque	9	[2]47	[2]75	27.91
Bloomfield	2,105	Chicago	36	41	45	8.59
Boone	8,880	....do	41	40 5/12	50	9.18
Carroll	2,882	Delivered		40 5/12	50	9.58
Cedar Rapids	25,656	....do		40 5/12	45	4.58
Do	25,656	....do		40½	50	9.50
Centerville	5,256	....do		40	45	5
Clarinda	3,276	Omaha, Burlington	17–22	40	50	9.83
Clinton	22,698	Chicago	19	40 5/12	45	4.40
Cresco	2,806	....do	40	40	40	[3].40
Davenport	35,254	Delivered		38	45	7
Decorah	3,246	....do		41	50	9
Denison	2,771	....do		40½	50	9.50
Des Moines	62,139	....do		40	50	10
Dubuque	36,297	....do		40	50	10
Elkader	1,321	Dubuque	15½	40 5/12	50	9.44
Fort Madison	9,278	Delivered		40	45	5
Greenfield	1,300	....do		41	50	9
Griswold	900	Omaha	18	40 5/12	50	9.41
Humboldt	1,474	Fort Dodge	12.58	41	50	8.88
Independence	3,656	Delivered		40 5/12	50	9.58
Indianola	3,261	Des Moines	12½	40	50	9.88
Iowa City	7,987	Delivered		41¾	50	8.25
Jefferson	2,601	Des Moines	12	40 5/12	50	9.47
Knoxville	3,131	Chicago	40	39	50	10.60

[1] 12 ounces. [2] Possibly an error. [3] Loss.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

IOWA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Lansing	1,438	Delivered		40	45	5
Leon	1,905	....do		40$\frac{5}{12}$	50	9.58
Lyons		....do		40$\frac{5}{12}$	45	4.58
Malvern	1,166	Omaha	19	40	50	9.81
Manchester	2,887	Chicago	47	40$\frac{5}{12}$	50	9.12
Mapleton	1,099	Delivered		40$\frac{5}{12}$	50	9.58
Maquoketa	3,777	Chicago		42	45	3
Muscatine	14,073	Delivered		39	40	1
Newton	3,682	Des Moines	10	40	50	9.90
Oelwein	5,142	Waterloo and Dubuque.	11–22	39$\frac{1}{3}$	50	10.56
Onawa	1,933	Delivered		[1]31	40	9
Oskaloosa	9,212	....do		40	50	10
Shenandoah	3,573		10–32	41	50	8.90
Sigourney	1,952	Chicago	26	42	50	7.74
Vinton	3,499	Delivered		39$\frac{7}{12}$	50	10.42
Waukon	2,153	Dubuque and Chicago	15–40	40$\frac{7}{12}$	50	9.44
KANSAS.						
Abilene	3,507	Kansas City	30	40$\frac{5}{12}$	50	9.29
Argentine	5,878	Delivered		41	50	9
Arkansas City	6,140	....do		40	50	10
Atchison	15,722	....do		40	50	10
Do	15,722	....do		40	45	5
Augusta	1,197	Wichita and Kansas City.	20–50	41	45	3.80
Belleville	1,833	Topeka	26	42	50	7.74
Burlingame	1,436	Kansas City	23	40	50	9.77
Concordia	3,401	....do	30	40	50	9.70
Emporia	8,223	Delivered		38$\frac{3}{4}$	50	11.25
Fredonia	1,650	Kansas City and St. Louis.	31–74	[1]35	40	4.69
Girard	2,473	Kansas City	35	40	50	9.65
Goodland	1,059	Leavenworth	60	40	50	9.40
Herington	1,607	Topeka	17	43	45	1.83
Holton	3,082	Delivered		38$\frac{3}{4}$	50	11.25
Junction City	4,695	....do		39	45	6
Leavenworth	20,735	....do		39	45	6
Marion	1,824	....do		40	45	5
McPherson	2,996	....do		40	45	5
Minneapolis	1,727	Kansas City	46	40	50	9.54
Neodesha	1,772	Independence	9	40	55	14.91
Newton	6,208	Wichita	13	40$\frac{5}{12}$	50	9.46
Osage City	2,792	Topeka	16	40	50	9.84
Oswego	2,208	Kansas City and Joplin.	55–20	39	50	10.45
Ottawa	6,934	Delivered		40	45	5
Do	6,934	Lawrence	24	40	50	9.76
Paola	3,144	Kansas City	17	40	45	4.83
Parsons	7,682	Delivered		42	45	3
Peabody	1,369	Topeka	33	40	50	9.67
Pleasonton	1,097	Kansas City	22	41$\frac{3}{4}$	50	8.03
Sabetha	1,646	Atchison	15	38$\frac{1}{2}$	50	11.35
St. Marys	1,390	Kansas City	33	40	45	4.67
Topeka	33,608	Delivered		40	45	5
Do	33,608	....do		40	45	5
Washington	1,575	Omaha	35		43	
Wichita	24,671	Delivered		40	45	5

[1] Probably a 12-ounce can.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

KENTUCKY.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Augusta	1,718	Cincinnati	8	39$\frac{7}{12}$	45	5.34
Berea	762	Delivered		40	50	10
Calhoun	631	Evansville, Ind.	10	38	50	10.90
Cynthiana	3,257	Cincinnati	24	40	50	9.76
Danville	4,285	Delivered		40	50	10
Elizabethtown	1,861	Louisville	23	40	50	9.77
Eminence	1,018	Lexington	18	41	50	8.82
Flemingsburg	1,268	Cincinnati	25	39$\frac{7}{12}$	50	10.27
Frankfort	9,487	....do	16	39$\frac{7}{12}$	45	5.26
Greenville	1,051	Louisville	32	39$\frac{7}{12}$	50	10.10
Henderson	10,272	Delivered		40$\frac{5}{12}$	50	9.58
Hopkinsville	7,280	Louisville	48	40	45	4.52
London	1,147	....do	43	39$\frac{7}{12}$	50	9.99
Louisville	204,731	Delivered		40$\frac{5}{12}$	45	4.58
Do	204,731	....do		39$\frac{7}{12}$	45	5.42
Do	204,731	....do		38¾	45	6.25
Morganfield	2,046	Evansville, Ind.	21	40	50	9.79
Owensboro	13,189	Delivered		40	50	10
Paris	4,603	....do		40$\frac{5}{12}$	50	9.58
Scottsville	824	Louisville and Nashville.	52-33	35	45	9.48
Shelbyville	3,016	Delivered		38⅓	50	11.67
Somerset	3,384	Lexington	30	40	50	9.70
Uniontown	1,532	Evansville, Ind.	20	39$\frac{7}{12}$	50	10.22

LOUISIANA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Jennings	1,539	New York	60	39	50	10.40
Lake Providence	1,256	Delivered		40	55	15
New Orleans	287,104	....do		40	45	5
Whitecastle	1,850	New Orleans	[1] 5	44	50	6

MAINE.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Bangor	21,850	Delivered		40	45	5
Belfast	4,615	....do		39	45	6
Biddeford	16,145	New York	36	38¾	45	5.89
Clinton	448	Portland	26	40	50	9.74
Freeport	759	....do	14	40	45	4.86
Kennebunk	3,228	....do	6	40	45	4.94
Lewiston	23,761	....do	12	39	45	5.88
Lubec	3,005	Boston	125	41⅔		
Sanford	6,078	New York	46	38	50	11.54
Thomaston	2,688	Boston		38	50	12
Waterville	9,477	Portland and Boston	25-41	35	45	9.75
Winterport	1,623	Boston	[2] 15	37	45	7.85
Winthrop	2,088	Portland	18	40	50	9.82
Wiscasset	1,273	Delivered		39	50	11
Woodfords		....do		41	45	4
Yarmouth	2,274	Portland	100	42	45	3
York	2,668	Boston	25	38¾	45	6

[1] Dozen. [2] Case.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

MARYLAND.

Town.	Population 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Annapolis	8,402	New York	25	39	50	10.75
Cumberland	17,128	....do	27	38¾	45	5.98
Ellicott City	1,331	Baltimore	6	37½	50	12.44
Frederick	9,296	Delivered	....	40	50	10
Hagerstown	13,591	....do	....	39$\frac{7}{12}$	50	10.42
Do	13,591	....do	....	38¾	45	6.25
Oakland	1,170	....do	....	39	50	11
Taneytown	665	Frederick	10	40	50	9.90

MASSACHUSETTS.

Town.	Population 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Amherst	5,028	Springfield	6	39	42	2.94
Andover	6,813	Boston	8	39	45	5.92
Athol	7,061	New York	20	37½	45	7.30
Attleboro	11,335	Providence, R. I	....	39$\frac{7}{12}$	45	5.62
Ayer	2,446	Delivered	....	37½	45	7.50
Bone	....	Worcester	9	38¾	45	6.16
Beverly	13,884	Delivered	....	38¾	45	6.25
Billerica	2,775	....do	....	37½	45	7.50
Boston	560,892	....do	....	38¾	....	....
Brockton	40,063	Boston	6	39	42	2.94
Brookfield	3,062	Delivered	....	38	43	5
Cambridge	91,886	....do	....	38⅔	42	3.33
Do	91,886	....do	....	38¾	42	3.25
Do	91,886	....do	....	38¾	42	3.25
Do	91,886	....do	....	39	45	6
Do	91,886	New York	[1]5	38¾	42	3.25
Cambridgeport	....	Delivered	....	42	45	3
Canton	4,584	Boston	5½	38	45	6.95
Chicopee	19,167	New York	14	38¾	42	3.11
Dalton	3,014	Delivered	....	40	50	10
Danvers	8,542	Boston	7	39	45	5.93
East Boston	....	Delivered	....	37	38	1
Easthampton	5,603	....do	....	39	45	6
East Lexington	....	Boston	4	39	43	3.96
East Weymouth	....	....do	5	38¾	45	6.20
Edgartown	1,209	New Bedford	[1]15	38¾	45	6.10
Everett	24,336	Delivered	....	38	45	7
Fitchburg	31,531	....do	....	39	45	6
Foxboro	3,266	Boston	12	39	45	5.88
Framingham	11,302	....do	8	39	45	5.92
Georgetown	1,900	Haverhill	6	40½	45	4.44
Gloucester	26,121	Delivered	....	38¾	44	5.25
Hingham	5,059	....do	....	39	45	6
Holyoke	45,712	....do	....	39	[2]40	1
Hyannis	....	Boston	13	38¾	45	6.32
Lancaster	2,478	Worcester	8-10	38¾	42	3.17
Lawrence	62,559	New York	17	35	45	9.83
Do	62,559	....do	35	38¾	45	5.90
Do	62,559	Boston	8	37½	42	4.42
Leominster	12,392	....do	12	39	42	2.88
Lowell	94,969	Delivered	....	39	45	6
Do	94,969	....do	....	37	40	3
Do	94,969	....do	....	39	42	3
Lynn	68,513	Boston	4	38⅓	40	1.63
Do	68,513	....do	4	38¾	40	1.21

[1] Dozen.

[2] Perhaps a wholesale dealer.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

MASSACHUSETTS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Malden	33,664	Delivered		36	45	9
Do	33,664	Boston	4	39	42	2.96
Manchester	2,522	....do	9	39	45	5.91
Mansfield	4,006	Delivered		40	50	10
Mattapoisett	1,061	New Bedford	4	39	45	5.96
Medfield	2,926	Boston	10	38¾	42	3.15
Medford	18,244	Delivered		35	42	7
Melrose	12,962	....do		37	45	8
Methuen	7,512	Boston	8	38¾	45	6.17
Milford	11,376	....do	12	38¾	42	3.13
New Bedford	62,442	Delivered		38¾	42	3.25
Newton	33,587	....do		38¾		
North Adams	24,200	....do		39	45	6
Northampton	18,64	....do		38¾	43	4.25
North Andover	4,245	....do		38	42	4
Norwood	5,480	Boston	6	39	44	4.94
Orange	5,520	....do	13	38	45	6.87
Peabody	11,523	....do	6	38¾	45	6.19
Pittsfield	21,766	Delivered		38¾	45	6.25
Plymouth	9,592	Boston	10	38	42	3.90
Quincy	23,899	Delivered		40	45	5
Do	23,899	Boston	6	39	42	2.94
Salem	35,956	....do	6	38¾	45	6.19
Do	35,956	Delivered		38¾	45	6.25
Somerville	61,643	....do		38¼	42	3.95
Southbridge	10,025	New York	12	38¾	45	6.13
Springfield	62,059	....do	18	39	42	2.82
Taunton	31,036	Boston	11	38¾	42	3.14
Wakefield	9,290	....do	6	39	42	2.94
Ware	8,263	New York	19	37½	42	4.31
Watertown	9,706	Boston	4	38	42	3.96
Webster	8,804	Delivered		39	48	9
West Springfield	7,105	....do		39	42	3
Williamstown	5,013	New York	20	38¾	45	6.25
Winchester	7,248	Delivered		38¾	42	3.25
Winthrop	6,058	....do		37	42	5
Worcester	118,421	....do		35	42	7
Do	118,421	....do		38	42	4
Do	118,421	....do		$39\frac{7}{12}$	50	10.42
Do	118,421	New York	18	38½	40	1.32

MICHIGAN.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Adrian	9,654	Delivered		40	50	10
Albion	4,519	....do		$39\frac{7}{12}$	50	10.42
Ann Arbor	14,509	....do		$39\frac{7}{12}$	45	5.42
Badaxe	1,241	Saginaw	12	40	50	9.88
Bay City	27,628	Delivered		40	50	10
Belding	3,282	Grand Rapids	8	38¾	45	6.17
Benton Harbor	6,562	Delivered		39	45	6
Birmingham	1,170	Detroit	9	40	50	9.91
Cadillac	5,997	New York	35	40	45	4.65
Carson City	906	Delivered		40	50	10
Cassopolis	1,330	Delivered		$39\frac{7}{12}$	50	10.42
Charlevoix	2,079	New York		37½	45	7.50
Charlotte	4,092	....do	48	39	50	10.52
Chelsea	1,635	Delivered		40	50	10
Coldwater	6,216	Toledo	14	40½	50	9.36

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

MICHIGAN—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Crystal Falls	3,231	Delivered		$38\frac{3}{4}$	45	6.25
Detroit	285,704	New York	53	38	45	6.47
Do	285,704	Delivered		40	45	5
Do	285,704	....do		39	45	6
Do	285,704	....do		37	45	8
Do	285,704	....do		40	45	5
Durand	2,134	Detroit and Toledo	22	40	50	9.78
Gladstone	3,380	Chicago	57	$40\frac{5}{12}$	45	4.02
Grand Haven	4,783	Grand Rapids	18	$39\frac{7}{12}$	45	5.24
Grand Rapids	87,565	Delivered		$38\frac{3}{4}$	50	11.25
Grayling	1,716	....do		$40\frac{3}{4}$	50	9.25
Harbor Springs	1,643	Chicago	35	39	45	5.65
Holland	7,790	Chicago and Grand Rapids.	18–12	$40\frac{5}{12}$	50	9.41
Holly	1,419	Delivered		40	45	5
Lakeview	935	Detroit	25	42	50	7.75
Lapeer	3,227	Delivered		40	50	10
Marcellus	1,025	Detroit	[1] 25	$38\frac{11}{12}$	50	11.08
Marine City	3,829	Delivered		40	50	10
Marshall	4,370	....do		40	50	10
Menominee	12,818		100	38	50	11
Midland	2,363	Delivered		42	45	3
Morenci	1,334	....do		$38\frac{1}{3}$	50	11.67
Mount Clemens	6,576	....do		40	50	10
Negaunee	6,935	Chicago and Milwaukee.	50	$40\frac{1}{2}$	50	9
Niles	4,287	Delivered		$39\frac{1}{3}$	45	5.67
Northville	1,755	Detroit	8	40	45	4.92
Ontonagon	1,267	Chicago	32	$40\frac{2}{5}$	50	9.22
Oscoda	1,109		8–10	$39\frac{7}{12}$	50	10.34
Port Huron	19,158	Delivered		$38\frac{1}{4}$	50	11.75
Reed City	2,051	Grand Rapids	20	40	45	4.80
Saginaw	42,345	Delivered		40	45	5
South Frankfort	639	Grand Rapids	13	40	50	9.97
St. Johns	3,388	Delivered		$38\frac{3}{4}$	45	6.25
Tecumseh	2,400	....do		40	50	10
Traverse City	9,407	....do		39	50	11
Vassar	1,832	Detroit	17	40	50	9.83
West Bay City	13,119	Delivered		40	50	10
Ypsilanti	7,378	....do		$38\frac{3}{4}$	45	

MINNESOTA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Alexandria	2,681	Duluth	60	[2] $30\frac{2}{3}$	40	8.74
Anoka	3,769	Delivered		[2] 31	35	4
Caledonia	1,179	Chicago	38	$40\frac{5}{12}$	45	4.21
Chatfield	1,426	New York	100	37	50	12
Detroit	2,060	St. Paul	45	40	50	9.55
Duluth	52,969	Delivered		38	45	7
Fairmount	3,040			$37\frac{11}{12}$	50	12.09
Fergus Falls	6,072	Delivered		$30\frac{2}{3}$	40	9.34
Grand Rapids	1,428	Duluth	36	43	50	6.64
Jackson	1,756	Albert Lea	16	$39\frac{1}{6}$	50	10.68
Kenyon	1,202	St. Paul	22	[2] 33	40	6.78
Lanesboro	1,102	Chicago	37	$38\frac{3}{4}$	50	10.88
Luverne	2,223	Sioux City	15	$37\frac{1}{2}$	50	12.35
Mazeppa	556	Chicago	40	41	50	8.60

[1] Case.

[2] 12 ounces.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

MINNESOTA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Montevideo	2,146	Minneapolis	31	42	50	7.69
New Ulm	5,403	St. Paul	15	$40\frac{5}{8}$	50	9.04
Northbranch	1,211	Delivered		40	50	10
Northfield	3,210	St. Paul	14	[1]$31\frac{1}{4}$	35	3.61
Pipestone	2,536	Minneapolis	34	[1]$30\frac{5}{12}$	40	9.25
Preston	1,278	La Crosse	18	41	50	8.82
Red Wing	7,525	Delivered		40	50	10
Rochester	6,843	do		$39\frac{2}{3}$	50	10.34
Rushford	1,062	do		$40\frac{1}{2}$	50	9.50
Springfield	1,511	Mankato and St. Paul	22-29	$40\frac{5}{8}$	50	8.97
Spring Valley	1,770	Chicago	25	$40\frac{5}{12}$	50	9.34
St. Cloud	8,663	do	64	[1]30	35	4.36
St. Paul	163,065	New York	80	$38\frac{5}{12}$	45	5.79
Two Harbors	3,278	Duluth	16	$40\frac{5}{8}$	50	9.03
Wabasha	2,528	Red Wing	16	$40\frac{5}{8}$	50	9.03
White Bear	1,288	St. Paul	12	[1]31	40	8.88
Winona	19,714	Delivered		$40\frac{5}{12}$	50	9.59
Virginia	2,962	Duluth	50	38	50	10.50

MISSISSIPPI.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Amory	1,211	Memphis	32-38	$40\frac{5}{8}$	50	8.87
Bay St. Louis	2,872	New Orleans	22	$39\frac{7}{12}$	50	10.20
Biloxi	5,467	do	30	40	50	9.70
Greenville	7,642	New York	40	40	50	9.60
Hattiesburg	4,175	New Orleans	48	$39\frac{7}{12}$	50	10.06
Iuka	7,816	Delivered		$41\frac{2}{3}$	50	8.34
Mosspoint		New Orleans	[2]10	40	50	9.90
Watervalley	3,813	Memphis	40	40	50	9.60

MISSOURI.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Ash Grove	1,039	Delivered		$41\frac{3}{4}$	50	8.25
Aurora	6,191	do		$37\frac{1}{2}$	50	12.50
Butler	3,158	Chicago	73	40	45	4.27
Carrollton	3,854	St. Louis and Kansas City.	50-35	$37\frac{1}{2}$-$39\frac{7}{12}$	50	
Columbia	5,651	Delivered		40	50	10
Eldorado Springs	2,137	Kansas City	31	40	50	9.69
Farmington	1,778	Delivered		$37\frac{1}{2}$	45	7.50
Fulton	4,883	do		40	50	10
Gallatin	1,780	do		$37\frac{1}{2}$	50	12.50
Grant City	1,406	Ottumwa, Iowa	15	39	45	5.85
Greenfield	1,406	Kansas City and Springfield.	35-17	$39\frac{7}{12}$	45	5.07
Hopkins	907	St. Joseph	15	40	50	9.85
Huntsville	1,805	Chicago	35	40	50	9.65
Independence	6,974	Kansas City	8	40	50	9.92
Joplin	26,023	Delivered		$39\frac{7}{12}$	45	5.42
Kansas City	163,752	do		40	45	5
Do	163,752	do		$39\frac{7}{12}$	40	.42
Knobnoster	673	do		$39\frac{7}{12}$	50	10.42
Lagrange	1,507	St. Louis	23	$41\frac{2}{3}$	50	8.11
Lebanon	2,125	do	40	$37\frac{1}{2}$	50	12.10

[1] 12 ounces. [2] Dozen.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

MISSOURI—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Liberty	2,407	Kansas City	15	39½	50	10.35
Lockwood	749	....do	40	40	50	9.60
Marionville	1,290	Delivered	....	41⅔	50	8.34
Milan	1,757	Chicago	80	37½	45	7.70
Monett	3,115	Carthage	26	38	50	11.74
Mount Vernon	1,206	Springfield	17	40	50	8.83
Norborne	1,189	Kansas City and St. Louis.	16–27	37½	50	12.34
Pattonsburg	1,065	Delivered	....	36¼	45	8.75
Pleasanthill	2,002	Kansas City	14	40½	50	9.36
Richmond	3,478	Delivered	....	37½	50	12.50
St. Joseph	102,979	Chicago	32	38	45	6.68
St. Louis	575,238	Delivered	....	39	45	6
Do	575,238	....do	....	41	45	4
Sarcoxie	1,126	....do	....	37½	50	12.50
Savannah	1,886	Chicago	45	37½	45	7.05
Springfield	23,267	Delivered	....	40 5/12	50	9.58
Do	23,267	....do	....	40⅚	50	9.16
Westplains	2,902	Springfield	35	[1]45	50	4.65
York	....	....do	10	40	50	9.90

MONTANA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Butte	30,470	Delivered	....	40⅔	50	9.33
Deerlodge	1,324	....do	....	[2]40	50	10
Virginia City	568	....do	....	42	50	8

NEBRASKA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Alliance	2,535	New York	220	42	50	5.80
Ashland	1,477	Omaha	15	[2]31	50	18.85
Auburn	2,664	....do	20	[2]30	40	9.80
Beatrice	7,875	Delivered	....	40 5/12	50	9.58
Blair	2,970	Omaha	16	40	50	9.84
Columbus	3,522	New York	....	39⅓	50	10.67
Fremont	7,241	Delivered	....	40	50	10
Indianola	626	Omaha	68	38½	50	10.82
Lincoln	40,169	Delivered	....	44	50	6
Do	40,169	....do	....	40	45	5
Norfolk	3,883	Omaha	23	40	50	9.77
Omaha	102,555	Chicago	65	40	45	4.35
Do	102,555	Delivered	....	39	45	6
Do	102,555	....do	....	40	50	10
Do	102,555	....do	....	40	45	5
Randolph	850	Omaha	32	[2]31	40	8.68
Shelton	861		37	39 7/12	50	10.05
St. Paul	1,475	Omaha	38	40	50	9.62
Tekamah	1,597	....do	20	40	50	9.80
Wahoo	2,100	....do	30	39 7/12	50	10.12
York	5,132	Lincoln	21	[2]32½	40	7.29

NEVADA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Carson	2,100	Sacramento	127	[2]31¼	40	7.48
Virginia City	2,695	San Francisco	127	40½	50	8.23

[1] Error, apparently.

[2] 12 ounces.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

NEW HAMPSHIRE.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Belmont	1,294	Delivered		42	50	8
Canaan	1,444	Concord	15	39½	50	10.35
Claremont	6,498	Boston	20	41	45	3.80
Concord	19,632	Delivered		38	45	7
Conway	3,154	Portland	17	41	45	3.83
Epping	1,641	Boston	12	38⅔	45	6.22
Exeter	4,922	New York	35	37	45	7.65
Farmington	2,265	Portland	15	39½	50	10.35
Hinsdale	1,933	Delivered		38⅓	45	6.67
Keene	9,165	New York	22	39	45	5.78
Laconia	8,042	Delivered		37	45	8
Littleton	4,066	....do		38¾	50	11.25
Manchester	56,987	....do		38¾	45	6.25
Marlboro	1,524	Keene	2½	38¾	45	6.23
Newport	3,126	Delivered		38	45	7
Portsmouth	10,637	Boston	13	38¾	45	6.12
Tilton	1,926	Delivered		40	45	5
Winchester	2,274	Keene	5	38¾	45	6.25

NEW JERSEY.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Bayonne	32,722	Delivered		38¾	45	6.25
Belvidere	902	....do		38¾	50	11.25
Beverly	1,950	Philadelphia	7½	38¾	45	6.17
Bloomfield	9,668	Delivered		38½	45	
Bordentown	4,110	....do		39	45	6
Bridgeton	13,913	Philadelphia	8	38¾	45	6.17
Burlington	7,392	Delivered		38¾	45	6.25
Camden	75,935	Rome, N. Y.	10	39 7/12	45	5.32
Do	75,935	Delivered		39	43	4
Cape May	2,257	Philadelphia	14	38¾	45	6.11
East Orange	21,506	New York	25	38	45	6.75
Elizabeth	52,130	Delivered		38¾	45	6.25
Flemington		....do		38	45	7
Garfield	3,504	New York	9	39	45	5.91
Hackettstown	2,474	Newark	25	39	50	10.75
Harrisonville	10,596	Delivered		38	45	7
Hoboken	59,364	....do		38	50	12
Keyport	3,413	New York	[1]15	39	45	5.85
Leonardo		Cranberry	9	40	50	9.91
Longbranch	8,872	New York	10–12	38¾	48	9.15
Morristown	11,265	New York	15	38¾	45	6.10
Newark	246,070	....do	6	38¾	45	6.19
Do	246,070	Delivered		38¾	45	6.25
Do	246,070	....do		38¾	43	4.25
Do	246,070	....do		39	45	6
New Brunswick	20,006	....do		38¾	45	6.25
Paulsboro		Philadelphia	7	40	50	9.93
Plainfield	15,369	New York	14	38¾	45	6.21
Newton	4,376	Delivered		38¾	45	6.25
Orange	24,141	New York	9	39	43	3.91
Do	24,141	....do	9	[2]36	42	5.91
Paterson	105,171	Delivered		38¾	45	6.25
Do	105,171	....do		39	45	6
Raritan	3,244	New York	10	38	48	9.90
Redbank	5,428	....do	[1]25	38¾	45	6
Salem	5,811	Philadelphia	10	40	45	4.90
South River	2,792	New York	6	43	48	4.94
Trenton	73,307	....do	13	38¾	45	6.12
West Hoboken	23,094	Delivered		39	45	6
West Orange	6,889	....do		39	45	6
Woodbury	4,087	Camden	6	38¾	45	6.19

[1] Barrel.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

NEW YORK.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Alleghany	3,692	New York	28	37½	50	12.47
Amsterdam	20,929			38¾	50	11.25
Athens	2,171	New York	25	36½	40	3.25
Attica	1,785	Delivered		$39\frac{7}{12}$	50	10.41
Belmount	1,190	....do		38¾	50	11.25
Binghamton	39,647	....do		42	50	8
Do	39,647	....do		37½	45	7.50
Brewster	1,192	New York	18	37½	50	12.32
Brockport	3,398	Rochester	11	39	50	10.89
Buffalo	352,387	Delivered		38¾	42	3.25
Cambridge	1,578	Troy	9	38	45	6.91
Canajoharie	2,105	Delivered		38¾	50	11.25
Canastota	3,030	Rome	7	$39\frac{7}{12}$	50	10.35
Clayton	1,913	Watertown	15	36⅔	50	13.19
Cobleskill	2,327	Delivered		39	50	11
Cornwall on the Hudson		Delivered		40	45	5
Cuba	1,502	....do		40	45	5
Dansville	3,633	Buffalo	16	40	45	4.84
Dobbs Ferry	2,888	New York	10	39	45	5.90
Dundee	1,291	Delivered		38	50	12
Dunkirk	11,616	New York	26	37¾	45	6.99
Do	11,616	Buffalo	22	37½	45	7.28
Ellenville	2,879	Delivered		39	45	6
Fairport	2,489	....do		39⅙	50	10.84
Far Rockaway		New York	12–14	38¾	45	6.13
Fredonia	4,127	Buffalo	10½	38¾	45	6.15
Friendship	1,214	Delivered		38⅓	50	11.67
Fulton	5,281	Syracuse	10	38¾		
Geneva	10,433	New York	25	38¾	50	11
Genesee	2,400	....do	30	38¾	45	5.95
Gloversville	18,349	Delivered		39	45	6
Herkimer	5,555	Utica	8	$40\frac{5}{12}$	45	4.51
Homer	6,206	Syracuse	12	39	50	10.88
Honeoye Falls	1,175	Delivered		38¾	45	10.88
Ithaca	13,136	New York	25	39	45	5.75
Do	13,136	....do	25	38¾	45	6
Do	13,136	Delivered		39	45	6
Irvington	2,231	New York	7	38	43	4.93
Islip	12,545	....do	19	38¾	50	11.06
Jamaica		....do	8	39	45	5.92
Jamestown	22,892	....do	35	39	45	5.65
Do	22,892	....do	27	37	45	7.73
Johnstown	10,130	Albany	14	41	45	3.86
Lansingburg	12,595	Delivered		38¾	50	11.25
Littlefalls	10,381	....do		38¾	45	6.25
Lockport	16,581	....do		38	50	12
Malone	5,935	....do		38¾	48	9.25
Mattituck		New York	27	41	45	3.73
Mayville	943	Delivered		36	50	14
Medina	4,716	....do		39	45	6
Middleburg	1,135	....do		39	50	11
Middletown	14,522	New York	19	40	45	4.81
Montgomery	973	Delivered		38¾	45	6.25
Moravia	1,442	Ithaca	17	42	50	7.81
Mount Kisco	1,346	Delivered		40	45	5
Naples	1,048	Rochester	13	37½	50	12.37
New Brighton				45	50	5
New York City	3,437,202	Delivered		39	40	1
Do	3,437,202	....do		$37\frac{1}{12}$	42	4.92
Do	3,437,202	....do		41	45	4

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

NEW YORK—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Olean	9,462	New York and Buffalo	21–13	39	45	5.79
Do	9,462	Delivered		39	50	11
Do	9,462	....do		37½	45	7.50
Oswego	22,199	....do		39	45	6
Do	22,199	New York	25	38¾	45	6
Oxford	1,931	....do	25	38¾	50	11
Penn Yan	4,650	Elmira	13	39	45	5.87
Phelps	1,306	Delivered		40	50	10
Phœnix	1,532	Syracuse	5	39	50	10.95
Plattsburg	8,434	New York	35	38¾	50	10.90
Port Chester	7,440	....do	[1] 4	38¾	42	3.25
Do	7,440	....do	[2] 4	38¾	45	6.25
Port Jervis	9,385	....do	20	38	39	.80
Port Jefferson		....do	10	39	45	5.90
Port Richmond		Delivered		38¾	45	6.25
Potsdam	3,843	New York	51	39	50	10.49
Rochester	162,608	Delivered		40	45	5
Rome	15,343	New York	20	39	50	10.80
Do	15,343	Delivered		41	50	9
Rondout		....do		38¾	50	11.25
Roslyn		New York	14	39	42	2.86
Rouse Point	1,675			41⅓	50	8.67
Rye		New York	15	38¾	45	6.10
Sag Harbor	1,969	....do	25	40	45	4.75
Do	1,969	....do	[1] 15	42	50	7.85
Salamanca	4,251			39	45	6
Saratoga Springs	12,409	Delivered		39	45	6
Do	12,409	....do		38	45	7
Schenectady	31,682	....do		41¼	50	8.75
Do	31,682	....do		38¾	50	11.25
Seneca Falls	6,519	....do		39	45	6
Southold		New York	30	37	45	7.70
St. Johnsville	1,873	Rome	7	40	50	9.93
St. Regis Falls	879	Malone	20	39⅛	50	10.64
Stamford	901	New York	20	40	45	4.80
Theresa	917	Rome and Syracuse	20	38	50	11.80
Troy	60,651	Delivered		40	45	5
Tuckahoe		New York	8	38¾	45	6.17
Union Springs	994	....do	30	38¾	50	10.95
Waterford	3,146	....do	10	38	45	6.90
Waterloo	4,256	Delivered		41	50	9
Watertown	21,696	New York	51	39	45	5.49
Watervliet	1,571	Delivered		36½	40	3.50
Waverly	4,465	New York	25	39	50	10.75
Do	4,465	....do	25	38¾	50	11
Wayland	1,307	Delivered		40	50	10
Wellsville	3,556	New York	18	38¾	50	11.07
Westfield	2,430	Delivered		38¾	50	11.25
Whitestone		....do		38¾	45	6.25
Woodhaven		....do		38¾	45	6.25
Worcester	2,409	....do		39	45	6

NORTH CAROLINA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Newbern	9,090	Delivered		[3] 38⅓	45	6.66
Raleigh	13,643	....do		40	50	10
Salem	3,642	....do		42	50	8
Statesville	3,141	New York	67	38¾	50	10.58
Washington	4,842	....do	40	38⅔	50	10.94
Wilmington	20,976	Delivered		[4] 30	30	0

[1] Case. [2] Box. [3] Possibly not delivered; buys from New York. [4] 12 ounces.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

NORTH DAKOTA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Bismarck	3,319	Fargo	47	41	50	8.53
Cooperstown	648	St. Paul	46	40	60	19.54
Fargo	9,589	Delivered		$40\frac{1}{2}$	50	9.50
Do	9,589	.....do		40	50	10.10
Hillsboro	1,172	St. Paul	52	41	50	8.48
Larimore	1,235	Grand Forks	12	$41\frac{3}{4}$	50	8.13
Mandan	1,658	Minneapolis	87	[1]31	40	8.13

OHIO.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Akron	42,728	Delivered		40	43	3
Alliance	8,974	New York	25	$39\frac{5}{12}$	50	10.34
Ashtabula	12,949	.....do	44	$38\frac{3}{4}$	[2]40	.81
Bedford	1,486	Cleveland	6	40	45	4.94
Cadiz	1,755	Steubenville	7	$39\frac{5}{12}$	45	5.52
Cardington	1,354	Columbus	13	$40\frac{5}{12}$	45	4.46
Carrollton	1,271	Cleveland	23	37	45	7.77
Cedarville	1,189	Xenia	6	40	45	4.94
Celina	2,815	Delivered		$39\frac{1}{3}$	50	10.67
Chagrin Falls	1,586	Cleveland	8	40	50	9.92
Cincinnati	325,902	Delivered		39	45	6
Circleville	6,991	.....do		40	45	5
Cleveland	381,768	.....do		$40\frac{5}{12}$	45	4.58
Do	381,768	.....do		$39\frac{7}{12}$	45	5.42
Clyde	2,515	.....do		40	45	5
Collinwood	3,639	.....do		40	45	5
Columbus	125,560	.....do		$38\frac{3}{4}$	45	6.25
Cortland	620	New York	45	40	45	4.55
Defiance	7,579	Chicago	22	$40\frac{5}{12}$	50	9.37
East Liverpool	16,485	Pittsburg	$7\frac{1}{2}$	$39\frac{7}{12}$	45	5.35
Findlay	17,613	Delivered		40	50	10
Greenville	5,501	.....do		$37\frac{1}{2}$	45	7.50
Hillsboro	4,535	New York	40	39	45	5.60
Holgate	1,237	Toledo	10	38	50	11.90
Jackson	4,672	Delivered		40	45	5
Lancaster	8,991	.....do		$38\frac{1}{2}$	45	6.50
London	3,511	New York	60	38	45	6.40
Lorain	16,028	Cleveland	7	40	45	4.93
Loudonville	1,581	Mansfield	7	40	50	9.93
Manchester	2,003	Cincinnati	10	39	45	5.90
Mansfield	17,640	Delivered		40	50	10
Marion	11,862	.....do		$39\frac{7}{12}$	50	10.42
Medina	2,232	Cleveland	11	$39\frac{7}{12}$	50	10.31
Millersburg	1,998	Delivered		40	50	10
Montpelier	1,869	Toledo	15	40	45	[3]4.85
Mount Gilead	1,528	Cleveland	$12\frac{1}{2}$	[1]44	50	5.87
Mount Vernon	6,633	Delivered		40	45	5
New Comerstown	2,659	New York	[3]75	$37\frac{1}{2}$	45	7.50
New Philadelphia	6,213	Delivered		40	50	10
Niles	7,468	.....do		$39\frac{7}{12}$	50	10.42
Do	7,468	.....do		$38\frac{3}{4}$	45	6.25
North Baltimore	3,561	.....do		39	45	6
Norwalk	7,074	Toledo	12	40	45	4.88

[1] 12 ounces. [2] Probably a wholesale dealer. [3] Barrel.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

OHIO—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Oberlin	4,082	Cleveland	8½	39⅙	50	10.76
Oxford	2,009	Delivered		40 5/12	45	4.59
Painesville	5,024	New York	30	38¾	45	5.95
Paulding	2,080	Delivered		40	50	10
Sabina	1,481	Cincinnati	10	40	50	9.90
Salineville	2,353	Steubenville	8	40	50	9.92
Sandusky	19,664	Delivered		39 7/12	50	10.42
Shelby	4,685	Mansfield	7	40	50	9.93
Springfield	38,253	Delivered		40	45	5
St. Marys	5,359	Lima	7	[1] 30	35	4.93
St. Paris	1,222	Piqua and Columbus.	7-12	40 5/12	50	9.52
Toledo	131,822	Delivered		39	45	6
Do	131,822	....do		38	45	7
Upper Sandusky	3,355	....do		40	50	10
Urbana	6,808	New York	62	38¾	45	6.19
Wadsworth	1,764	Mansfield	9	40	45	4.91
Washington C. H.	5,751	Delivered		39 7/12	45	5.42
Westerville	1,462	Cleveland		[1] 32½	40	7.50
Youngstown	44,885	Delivered		39½	50	10.50

OREGON.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Astoria	8,381	Portland	7½	[1] 32 1/12	50	17.43
Do	8,381	....do	7½	39⅚	50	10.12
Forest Grove	1,096	....do	16	38½	50	11.34
Grants Pass	2,290	Delivered		42	50	8
Independence	909	Portland	26	41⅓	50	8.41
Junction City	506	....do	33	42	50	7.67
Salem	4,258	....do	15½	40	50	9.85
The Dalles	3,542	....do	20	41¼	50	8.55
Woodburn	828	....do	19	41	50	8.81

PENNSYLVANIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Allegheny	129,896	Delivered		43	50	7
Do	129,896	New York	30	38¾	45	5.95
Allentown	35,416	Delivered		37	50	13
Ashland	6,438	Philadelphia	23	37½	45	7.27
Athens	3,749	Delivered		38¾	45	6.25
Audenried		New York	23	39	50	10.77
Beaver	2,348	Pittsburg and New York.	7-24	39 7/12	45	5.35
Beaverfalls	10,054	Pittsburg	7	39¼	50	10.68
Bennett		Delivered		39⅙	45	5.81
Bernice		....do		37½	60	22.50
Bradford	15,029	New York	28	38¾	45	5.97
Bryn Mawr		....do	20	38	45	6.80
Carnegie	7,330	Pittsburg	6½	40	50	9.94
Carrick		Delivered		39 7/12	45	5.41
Chambersburg	8,864	....do		38⅓	50	11.67
Christiana	828	....do		39	50	11
Clarion	2,004	Pittsburg	20	39 5/12	50	10.29
Claysville	856	Wheeling, W. Va.	8	40	50	9.92
Clifton Heights	2,330	Delivered		38¾	45	6.25
Coraopolis	2,555	Pittsburg	5	39 5/12	45	5.54
Darby	3,429	Delivered		39	45	6
Dauphin	566	Harrisburg	[2] 25	40	45	5
Dunbar	1,662	Pittsburg	14	39½	50	10.36
Duncansville	1,512	Delivered		37	40	3
Dushore	884	New York	22	37½	45	7.26

[1] 12 ounces. [2] Per box.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

PENNSYLVANIA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
East Downingtown	2,133	Philadelphia	6	38¾	50	11.19
Elklick	2,982	Delivered		40	50	10
Emlenton	1,190	do		39 5/12	40	.59
Erie	52,733	do		38¾	45	6.25
Falls Creek		do		40	50	10
Franklin	961	do		39 5/12	45	5.59
Glen Campbell	1,628	do		39¾	50	10.25
Greensburg	6,508	Pittsburg	6	40	50	9.94
Grove City	1,599	do	12	40	50	9.88
Harrisburg	50,167	New York	27	38½	45	6.40
Hawley	1,925	Delivered		39	50	11
Honesdale	2,864	New York	31	38¾		
Houtzdale	1,482	Delivered		38¾	50	11.25
Huntingdon	6,053	do		38¾	50	11.25
Irwin	2,452	Pittsburg	8	39 5/12	50	10.51
Jermyn	2,567	New York	35	38¾	45	5.90
Jersey Shore	3,070	Delivered		39	50	11
Jessup		do		40	50	10
Lancaster	41,459	New York	22	38¾	45	6.03
Lewisburg	3,457	Philadelphia		39	45	6
Lewistown	4,451	Delivered		38¾	50	11.25
Mahanoy City	13,504	do		38½	50	11.50
Marietta	2,469	do		38¾	50	11.25
Martinsburg	590	Altoona	12	43	50	6.88
Mauch Chunk	4,029	New York	33	[illegible]	45	5.67
Mercer	1,804	Delivered		45	50	5
Meyersdale	3,024	Pittsburg	25	39 5/12	50	10.34
Midway		do	7½	39⅓	45	5.60
Moores		Philadelphia	9	38¾	45	6.16
Mount Carmel	13,179	Delivered		37½	50	12.50
New Brighton	6,820	do		38¾	45	6.25
Newcastle	28,339	New York	36	39	50	10.64
Do	28,339	Delivered		40	50	10
Norristown	22,265	Philadelphia	7	38¾	45	6.18
Parsons	2,529	Delivered		40⅚	50	9.16
Patton	2,651	Pittsburg	17	39⅛	50	10.71
Philadelphia	1,293,697	Delivered		40	45	5
Do	1,293,697	do		40	45	5
Do	1,293,697	do		39 7/12	45	5.42
Do	1,293,697	do		45[1]	50	5
Philipsburg	3,266	do		39 7/12		
Pittsburg	321,616	do		39⅛	45	5.50
Pittston	12,556	do		38¾	50	11.25
Reynoldsville	3,435	do		39	50	11
Rochester	4,688	Pittsburg	7	39 5/12	50	10.52
Royersford	2,607	Norristown	7	40	50	9.93
Schuylkill Haven	3,654	Philadelphia	18	38¾	45	6.07
Scranton	102,026	Delivered		38	50	12
Sharon	8,916	Youngstown	7½	39 5/12	50	10.52
Sheridanville	2,948	Pittsburg	7	39 5/12	45	5.52
Slatington	3,773	Delivered		38¾	50	11.25
Somerset	1,834	Pittsburg	22	39 5/12	50	10.37
Stroudsburg	916	Delivered		38	45	7
Titusville	8,244	New York	30	38¾	50	10.95
Towanda	4,663	do	20	38¾	45	6.05
Union City	3,104	Delivered		39 7/12	50	10.42
Washington	7,670	do		33	50	17
Waterford	767	Erie	9	39	45	5.91
Wayne		Delivered		39	45	6
Waynesburg	2,544	Pittsburg	30	40	50	9.70
Wellsboro	2,954	New York	25	39	50	10.75
Westchester	9,524	Philadelphia	[illegible]	39	45	5.91
Wilkesbarre	51,721	Delivered		39 7/12	50	10.42
Wyoming	1,909	do		40	50	10

[1] Doubtful figure—possibly a very small dealer.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
RHODE ISLAND.						
			Cents.	*Cents.*	*Cents.*	*Cents.*
Central Falls	18,167	Delivered		39	45	6
Centerville		Providence	8	38¾	45	6.17
Pawtucket	39,231	Delivered		40	45	5
Providence	175,597	do		$39\frac{7}{12}$	45	5.42
Prudence		do		40½	43	2.50
Wakefield		Providence	12	39	45	5.88
Warren	5,108	Delivered		39	45	6
Wickford		Providence	5	39	45	5.95
SOUTH CAROLINA.						
Beaufort	4,110	New York	48	38	50	11.52
Columbia	21,108	Delivered		38½	50	11.50
Florence	4,647	do		38¾	50	
Mount Pleasant	2,252	Charleston	10	42	50	7.90
Newberry	4,607	Delivered		41	50	9
Pelzer		do		42	50	8
Rockhill	5,485	do		42	50	8
Spartanburg	11,395	New York and Augusta.	73–44	38¾	50	10.52
Walhalla	1,307	New York	100	40	50	9
SOUTH DAKOTA.						
Sioux Falls	10,266	Delivered		40	50	10
Do	10,266	do		41	50	9
Yankton	4,125	Chicago	51	$40\frac{5}{12}$	50	9.08
TENNESSEE.						
Athens	1,849	Delivered		41¾	50	8.25
Bellbuckle	665	Nashville	20	40	50	9.80
Bolivar	1,035	Memphis	49	41¾	50	7.75
Clarksville	9,431	Delivered		40	50	10
Jackson	14,511	do		40	45	5
Jonesboro	854	New York	80	38¾	50	10.45
Kingston	548		25	42	50	7.75
Knoxville	32,637	New York	70	38¾	45	5.55
Do	32,637	Delivered		38	45	7
Do	32,637	do		40	45	5
McMinnville	1,980	do		48	55	7
Maryville		Knoxville	20	42	50	7.80
Rogersville	1,386	New York and Knoxville.	80–30	38	50	11.20
Trenton	2,328	Delivered		42	50	8
TEXAS.						
Bartlett	957	Waco	20	38	45	6.80
Beeville		San Antonio	41	41¾	50	7.84
Corpus Christi	4,703	New York	90	38¾	50	10.35
Dallas	42,638	do	113	37	50	11.87
Eagle Pass		San Antonio	83	44	50	5.17
Fort Worth	26,688	Delivered		35½	40	4.50
Do	26,688	do		$39\frac{7}{12}$	45	5.42
Galveston	37,789	New York	40	38¼	45	6.35
Hearne	2,129	St. Louis	102	[1] 45	50	3.98
Houston	44,633	Delivered		40⅘	45	4.20

[1] Reported to be price of St. Louis jobber, freight to be added.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

TEXAS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Huntsville	1,608	New York	88	38¾	50	10.37
Kerrville	1,423	San Antonio	30	45	50	4.70
Lando		Delivered		43	50	7
Luling	1,349	New York	120	40	50	8.80
McGregor	1,435	Waco	20	33⅓	50	16.47
San Antonio	53,321	Delivered		41¾	50	8.25
Sherman	10,243	do		37½	50	12.50
Tyler	8,069	do		37½	50	12.50
Do	8,069		[1]1¾	35	50	15
Victoria	4,010	Delivered		40⅔	50	9.33

UTAH.

Brigham	2,859	Ogden	15	[2]33¾	40	6.10
Heber	1,534					
Kaysville	1,708	Salt Lake City	15	43⅓	50	6.52
Lehi	2,719	Provo City	18	42	50	7.82
Mount Pleasant	2,372			[3]41	55	14
Pleasant Grove	2,460	Provo City	10	50	60	9.90
Provo City	6,185	Delivered		43	60	17
Salt Lake City	53,531	Chicago	50–90	[4]45	50	4.50
Springville	3,422	Salt Lake City	27	43⅓	50	6.40

VERMONT.

Bellows Falls	4,337	Delivered		38¾	45	6.25
Bethel	1,611	do		39	45	6
Bradford	614	Boston	21	40	50	9.79
Derby Line	297	do	35	39 7/12	45	5.07
Hartford	3,817	Delivered		39 7/12	45	5.42
Middleburg	1,897	do		39	45	6
Montpelier	6,266	do		36⅔	45	8.33
Newport	1,874	Boston	45	39	45	5.55
Randolph	1,540	White River Junction	10	40	45	5.90
Royalton	1,427	Delivered		37½	45	7.50
St. Albans	6,239	New York	34	37½	50	12.16
Do	6,239	Delivered		38	45	7
Stowe	500	Burlington	20	40	50	9.80
Windsor	1,656	Keene	9	38¾	50	11.16

VIRGINIA.

Fredericksburg	5,068	Delivered		38¾	50	11.25
Leesburg	1,513	Alexandria	22	40⅚	50	8.97
Luray	1,147	Delivered		40	50	10
Lynchburg	18,891	do		39⅙	50	10.84
Newport News	19,635	Richmond	10	40	50	9.90
Portsmouth	17,427	New York	18	40	50	9.82
Richmond	85,050	do	20	38¾	45	6.05
Winchester	5,161	Delivered		38¾	50	11.25

[1] Per can.
[2] 12 ounces.
[3] Freight apparently to be added.
[4] Reported as price of manufacturer at Chicago; freight to be added.

TABLE III.—*Wholesale and retail prices of Royal Baking Powder*—Continued.

WASHINGTON.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
			Cents.	*Cents.*	*Cents.*	*Cents.*
Ballard	4,568	Seattle	[1]60	40	45	4.97
Blaine	1,592	Delivered		44	50	6
Centralia	1,600	Portland	20	41	50	8.80
Hoquiam	2,600	Seattle	25	$41\frac{1}{4}$	50	8.50
Ilwaco	584	Portland	$17\frac{1}{2}$	45	50	4.83
Montesano	1,194	Tacoma	20	$46\frac{1}{8}$	50	3.64
Olympia	4,082	Seattle	[1]$1.50–$2	41	50	9
Port Townsend	3,443	Seattle and San Francisco.	[1]$2.50 and $5.	$41\frac{1}{4}$	50	8.63
Seattle	80,671	Delivered		41	45	4
Snohomish	2,101	....do		41	45	4
Tacoma	37,714	....do		40	50	10
Do	37,714	....do		$41\frac{1}{4}$	50	8.75

WEST VIRGINIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Beaver		Delivered		[2]$31\frac{1}{6}$	50	18.84
Clarksburg	4,050	....do		$40\frac{1}{2}$	50	9.50
Shepherdstown	1,184	Baltimore	33	44	50	5.66
Wellsburg	2,588	Wheeling	$7\frac{1}{2}$	40	45	4.93
Weston	2,560	Delivered		$40\frac{5}{12}$	50	9.58

WISCONSIN.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Appleton	15,085	Milwaukee	24	40	45	4.76
Beloit	10,436	New York	65	$38\frac{3}{4}$	50	10.60
Cedarburg	1,626	Milwaukee	11	$39\frac{5}{12}$	50	10.48
Chilton	1,460	Green Bay	22	37	50	12.78
Darlington	1,808	Chicago	27	$40\frac{1}{4}$	50	9.78
Delavan	2,244	....do	20	41	45	3.80
Elkhorn	1,731	Delivered		45	50	5
Elroy	1,685	Chicago	40	$39\frac{7}{12}$	50	10.02
Grand Rapids	4,493	Green Bay and Chicago		$40\frac{5}{12}$	50	9.58
Green Bay	18,684	Chicago	29	$40\frac{1}{2}$	50	9.21
Hartford	1,632	Delivered		$39\frac{7}{12}$	45	5.42
Horicon	1,376	Milwaukee	20	$40\frac{1}{2}$	50	9.30
Hudson	3,259	St. Paul	15	40	50	9.85
Janesville	13,185	Milwaukee	35	$40\frac{4}{10}$	45	4.25
Kenosha	11,606	Chicago and New York	12–22	35	45	9.88
Lancaster	2,403	Chicago	33	$40\frac{5}{12}$	45	4.26
Madison	19,164	New York	[3]14	$38\frac{2}{3}$	45	6.34
Marinette	16,195	Delivered		39	45	6
Milwaukee	285,315	New York	40	39	42	2.60
Do	285,315	Delivered		$39\frac{1}{3}$	45	5.67
Mineral Point	2,991	Chicago	30	$40\frac{5}{12}$	50	9.29
Necedah	1,209	Delivered		$39\frac{1}{4}$	50	10.75
Princeton	1,202	Milwaukee	25	$40\frac{1}{2}$	50	9.25
Richland Center	2,321	Chicago	33	$40\frac{1}{2}$	45	4.17
Ripon	3,818	....do	28	$40\frac{5}{12}$	50	9.31
River Falls	2,008	St. Paul	17	41	50	8.83
Shawano	1,863	Milwaukee	30	41	50	8.70
Sheboygan	1,301	New York	[4]$2.40	$38\frac{3}{4}$	50	11.25
Sturgeon Bay	3,372	Manitowoc	20	$40\frac{5}{12}$	50	9.39
Wausau	12,354	New York	1.16	38	50	10.84
West Superior		Delivered		40	50	10

WYOMING.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, if paid by dealer, per cwt.	Wholesale price per pound.	Retail price per pound.	Excess above wholesale price, freight deducted, per pound.
Carbon	634	Delivered		$42\frac{2}{3}$	60	17.34
Cheyenne	14,087	Denver	38	[5]24	40	15.62
Laramie	8,207	Delivered		42	50	8
Do	1,559	Denver	65	41	50	8.35
Sheridan		Chicago	[3]$2\frac{1}{4}$	39	50	11

[1] Ton. [2] 12 ounces. [3] Case. [4] Barrel. [5] Probably a 12-ounce can or error.

TABLE IV.—*Wholesale and retail prices of common farm salt.*

ALABAMA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Anniston	9,695		Delivered.	$0.60	$0.676	$0.76	
Bessemer	6,358	New Orleans	Delivered.	.60	1.00	.40	Hutch.-Kan. Salt Co.
Evergreen	1,277	Avery, La	Delivered.	.465	.55	.085	Avery Salt Co.
Florence	6,478		Delivered.	.52	.65	.13	
Hamilton	235		Delivered.	.675	.95	.275	
Huntsville	8,068		Delivered.	.433	.466	.033	J. B. Speed & Co., and The Gulf Co.
Livingston	851		Delivered.	.416	.60	.184	Gilbert, Mo.
Montgomery	30,346	Savannah	Delivered.	.42	.55	.13	
Oxford	1,372		Delivered.	.50	.55	.05	
Ozark	1,570	Montgomery and Savannah.	Delivered.	.63	.65	.02	
Tuscaloosa	5,094	New Orleans	Delivered.	.45	.65	.20	

ARKANSAS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Benton	898		Delivered.	$0.571	$1.00	$0.329	
Bentonville	1,843	Hutchinson, Kans.	Delivered.	.42	.482	.062	Kansas Salt Co.
Berryville	551	Eureka Springs, Kans.	$0.15	.66	.804	—.006	
Brinkley	1,648		Delivered.	.573	.679	.106	Michigan Association.
Carlisle	212	Little Rock, Kans.	Delivered.	.607	.714	.107	Michigan Works.
Conway	2,003	Hutchinson, Kans.	Delivered.	.554	.625	071	Hutch.-Kan. Co.[1]
Devall Bluff	605	Little Rock and Memphis.	.125	.536	1.00	.339	Do.
Fordyce	1,710	Pine Bluff	Delivered.	.661	.714	.153	Hudson Salt Works.
Fort Smith	11,587		Delivered.	.571	.643	.072	Hutch.-Kan. Co.[1]
Do	11,587		Delivered.	.571	1.00	.429	
Greenwood	491	Hutchinson, Kans., and Fort Smith.	Delivered.	.589	.678	.089	Do.
Gurdon	1,045	Hutchinson, Kans.	Delivered.	.625	.714	.089	Do.
Helena	5,550	St. Louis, Mo	Delivered.	.55	.625	.075	Priesmeyer.
Hope	1,644	Hutchinson, Kans.	Delivered.	.618	1.000	.382	Hutch.-Kan. Co.[1]
Hot Springs	9,973		Delivered.	.607	.678	.071	Do.
Do	9,973		Delivered.	.65	.75	.10	
Do	9,973		Delivered.	.732	1.000	.268	
Do	9,973	Hutchinson, Kans.	Delivered.	.66	.696	.036	Do.
Jonesboro	4,508		Delivered.	.589	.678	.089	
Little Rock	38,307		Delivered.	.589	.625	.034	
Do	38,307		Delivered.	.607	.678	.078	
Lonoke	951		Delivered.	.60	1.00	.40	
Malvern	1,582	Hutchinson, Kans., and Michigan.	Delivered.	.625	.714	.089	Michigan, Hutch.-Kan. Cos.[1]
Mammoth Spring	717	Chicago	Delivered.	.564	.625	.061	Michigan Salt Co.
Nashville	928	Texarkana	Delivered.	.571	.625	.054	
Paragould	3,324	St. Louis, Mo	Delivered.	.571	.625	.054	Priesmeyer.
Prescott	2,005	Dallas, Tex	Delivered.	.618	.714	.096	Lone Star Co.[1]
Siloam Springs	1,708	Hutchinson, Kans.	Delivered.	.554	.608	.054	Kansas, and Morton & Barto Cos.
Springdale	1,251	do	Delivered.	.571	.608	.037	Hutch.-Kan. Co.[1]
Texarkana	4,914		Delivered.	.732	.75	.018	
Warren	954		Delivered.	.678	.75	.072	J. F. Ewing.

[1] National Salt Co.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

CALIFORNIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Bakersfield	4,836	San Francisco	Delivered.	$0.825	$1.125	......	Federal Salt Co.
Chico	2,640	.....do	$0.25	.46	.75	$0.04	
Coronado	935	San Diego	Delivered.	.75	1.00	.25	New Liverpool Co.
Eureka	7,327	San Francisco	.05	.65	.90	.20	
Do	7,327	.....do	.05	.50	.70	.15	
Ferndale	846	.....do	?.225	.675	.90	(?)	
Jamestown	....	.....do	.34	.60	1.20	.26	Newell & Bro.
Los Angeles	102,479	....	Delivered.	.45	.70	.25	New Liverpool Co.
Marysville	3,497	San Francisco	.15	.75	.85	—.05	Federal Salt Co.
National City	1,086	San Diego	.05	.90	1.00	.05	English.
Oroville	554	San Francisco	.14	.775	.90	—.015	Federal Salt Co.
Pasadena	9,117	Los Angeles	.08	.425	.65	.145	New Liverpool Co.
Do	9,117	.....do	.06	.50	1.25	.69	New Liverpool Co., Haas, Baruch & Co.
Placerville	1,748	San Francisco	.125	.775	1.00	.10	Amer. Salt Co.
Pleasanton	1,100	.....do	.09	.80	1.30	.41	Do.
Sacramento	29,282	.....do	Delivered.	.625	.675	.50	Federal Salt Co.
Do	29,282	....	Delivered.	.687	.75	.063	
San Jose	21,500	San Francisco	.05	.55	.80	.20	
San Rafael	3,878	.....do	.05	.75	1.00	.20	Do.
San Diego	17,700	....	Delivered.	.50	.60	.10	
San Francisco	342,782	....	Delivered.	.70	.80	.10	National Salt Co.
Santa Cruz	5,659	San Francisco	.20	.575	.85	.08	Plummer's Crystal Works.
Vallejo	7,965	.....do	.05	.625	.75	.075	
Ventura	2,470	.....do	?.225	.35	.80	(?)	
Visalia	3,085	.....do	.207	.651	1.00	.142	Federal Salt Co.

COLORADO.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Boulder	6,150	Denver	$0.10	$0.640	$1.00	$0.26	Inland Crystal Co.
Buena Vista	1,006	Salt Lake	Delivered.	.885	1.250	.365	Do.
Central City	3,114	Denver	Delivered.	.714	.893	.089	Hutch-Kan. Salt Co.[2]
Denver	133,859	.....do	Delivered.	.750	.893	.143	Do.
Fort Collins	3,054	Salt Lake	Delivered.	.714	.804	.090	Inland Crystal Co.
Golden	2,152	Denver	.10	.714	.946	.132	Kansas Salt Co.
Greeley	3,023	.....do	.23	.650	1.000	.12	Hutchinson Packing Co.[3]
La Junta	2,513	Hutchinson, Kans.	Delivered.	.625	.714	.089	Hutch-Kan, Salt Co.[3]
Las Animas	1,192	.....do	Delivered.	.536	.607	.071	Do.

[1] Delivered at Marysville. [2] National Salt Co.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
			CONNECTICUT.				
Brooklyn	2,358	Providence	$0.008	[1]$1.160	$1.340	$0.10	
Danbury	16,537		Delivered.	.625	.714	.089	Worcester and Yorkshire Cos.
Meriden	24,296		Delivered.	[1].781	1.25	.469	
New Britain	25,998		Delivered.	.536	.714	.178	
Do	25,998	New Haven	Delivered.	[1].70	.80	.10	
Seymour	3,541	New Haven and Bridgeport.	.06	[1].859	1.50	.581	Yorkshire and Bone Salt.
South Manchester		Hartford	.06	[1].80	1.00	.14	Worcester Salt Co., N.Y.
Stafford Springs	2,460		Delivered.	.640	.90	.36	Onondaga Coarse Salt Ass'n.
Stonington	2,278	New York City	.075	[1].781			
			DELAWARE.				
Delaware City	1,132	Philadelphia, Pa	$0.075	$0.525	$0.675	$0.075	Worcester Salt Co.
Frederica	706	do	.05	.45	.60	.10	
Georgetown	1,658	do	.125	.475	.55	—.05	Amer. Salt Co.
Wilmington	76,508		Delivered.	.45	.55	.10	Worcester Salt Co.
			FLORIDA.				
Gainesville	3,633	New York	$0.10	$0.57	$0.75	$0.08	
Monticello	1,076	Brunswick	Delivered.	.58	.75	.17	
Palatka	3,301		Delivered.	.611	.667	.056	
Port Tampa City	1,367	Tampa	.05	.90	1.50	.55	
St. Augustine	4,272	Jacksonville	.10	.50	.625	.025	
			GEORGIA.				
Americus	7,674	New Orleans	Delivered.	$0.65	$0.70	$0.05	Avery Co.
Barnesville	3,036	Savannah	Delivered.	.60	.70	.10	
Brunswick	9,081		Delivered.	.50	.60	.10	
Columbus	17,614		Delivered.	.575	.65	.075	Genessee, N. Y., Salt Co.
Cuthbert	2,641	Savannah and Charleston.	Delivered.	.62	.75	.13	
Dublin	2,987	Savannah, Brunswick, and Charleston.	Delivered.	.605	.65	.045	
Eastman	1,235	Brunswick	Delivered.	.60	.65	.05	
Fitzgerald	1,817		Delivered.	.65	.75	.10	Dixie Salt Co.
Hartwell	1,672		Delivered.	.65	.75	.10	
Macon	23,272		Delivered.	.55	.60	.05	
Madison	1,992		Delivered.	.60	.65	.05	
Milledgeville	4,219		Delivered.	.57	.60	.03	
Ocilla	805		Delivered.	.65	1.00	.35	
Sparta	1,150		Delivered.	.636	.909	.373	
Thomasville	5,322		Delivered.	.65	.75	.10	
Tifton	1,384		Delivered.	.63	.70	.07	
Waresboro	269	Savannah and Brunswick.	Delivered.	.65	.75	.10	
Woodbury	566	Columbus	Delivered.	.625	.75	.125	

[1] Probably dairy salt; sold usually by the quart; little coarse farm salt sold in State; figures known to be dairy salt are omitted, but many other dealers seem to have confused the two.

TABLE IV.—*Wholesale and rétail prices of common farm salt*—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
IDAHO.							
Caldwell	997	Salt Lake City	Delivered.	$0.80	$0.90	$0.10	Inland Crystal Co.
Coeur d'Alene	508	.....do	?$0.416	1.12	1.30	(?)	
Genesee	731	.....do	Delivered.	1.30	1.50	.20	Salt Lake Co.
Wardner	2,278	Salt Lake	Delivered.	1.10	1.50	.35	Do.
ILLINOIS.[1]							
Amboy	1,826	Chicago	Delivered.	$0.482	$0.536	$0.054	
Ashland	1,201	Peoria	Delivered.	.50	.571	.071	Diamond Crystal Co.
Belleville	17,484	Michigan	Delivered.	.432	.571	.089	Michigan Salt Ass'n.
Bloomington	23,286		Delivered.	.482	.536	.054	
Braceville	1,669		Delivered.	.421	.50	.079	
Bunkerhill	1,279	Michigan	Delivered.	.482	.571	.089	
Cairo	12,566	St. Louis	$0.044	.50	.555	.011	Halliday Co., Cairo
Do	12,566	.....do	? .10	.475	.536	(?)	Halliday Co. & Ewing.
Canton	6,564	Peoria	? .09	.486	.50	? .014	Amer. Salt & Genesee Cos.
Carrollton	2,355	Manistee, Mich.	Delivered.	.493	.736	.043	
Centralia	6,721		Delivered.	.482	.589	.107	
Chatsworth	1,038	Chicago	Delivered.	.464	.536	.072	National Salt Co.
Chenoa	1,512	.....do	Delivered.	.464	.536	.072	Joy, Morton & Co.[2]
Chicago	1,698,575		? .16	.446	.571	(?)	Do.[2]
Do	1,698,575	Michigan	Delivered.	.536	.714	.178	Do.[2]
Do	1,698,575	Chicago	Delivered.	.571	[3]1.00	.429	National Salt Co.
Do	1,698,575	.....do	Delivered.	.482	.536	.054	H. Kuenzli & Co.
Chillicothe	1,699	.....do	Delivered.	.486	.503	.017	Joy, Morton & Co.[2]
Coal City	2,607	.....do	Delivered.	.50	.589	.089	National Salt Co.
Columbia	1,197	Duquoin	? .085	.478	.536	(?)	St. John or I. B. R. R. Co.
Danville	16,354	Chicago	Delivered.	.518	.571	.053	Joy, Morton & Co.[2]
Duquoin	4,353	St. Louis	? .16	.41	.50	(?)	
Earlville	1,122	Chicago	? .13	.486	.536	(?)	Wadsworth, and Joy Morton[1] Cos
Edwardsville	4,157	Detroit, Mich	Delivered.	.482	.571	.089	Michigan Salt Ass'n.
Effingham	3,774		Delivered.	.464	.571	.107	
Eureka	1,661	Peoria	? .026	.485	.589	? .078	
Foreston	1,047	Chicago	Delivered.	.497	.536	.039	
Galesburg	18,607	.....do	? .17	.571	.679	(?)	National Salt Co.
Geneva	2,446	.....do	Delivered.	.482	.536	.054	Joy, Morton & Co.[2]
Grayville	1,948		Delivered.	.518	.589	.071	
Greenfield	1,085	St. Johns	Delivered.	.475	.536	.061	Ill. Cent. Coal & Salt Co.
Griggsville	1,404	Michigan	Delivered.	.489	.536	.047	
Hoopeston	3,823	Chicago and Michigan.	? .13	.429	.482	(?)	Joy, Morton & Co.[2]
Jacksonville	15,078	Michigan	Delivered.	.50	.536	.036	Detroit Salt Co.
Jerseyville	3,517	.....do	Delivered.	.493	.625	.132	Joy, Morton & Co.[2]
Kewanee	8,382		Delivered.	.41	.446	.036	National Salt Co.
Kinmundy	1,221		Delivered.	.518	.625	.107	
Lacon	1,601	Chicago	Delivered.	.471	.418	.047	Joy, Morton & Co.[2]
Lebanon	1,812		Delivered.	.457	.571	.114	
Lewistown	2,504	Chicago	Delivered.	.507	.571	.064	Do.[2]
Marine	666	.....do	Delivered.	.446	.536	.09	National Salt Co.
Marion	2,610	St. Louis	?$0.056	.536	.554	(?)	
Marseilles	2,559	Chicago	?.12	.482	.518	(?)	
Mattoon	9,622	Chicago and Indianapolis.	Delivered.	.457	.50	.043	

[1] Freight rates in this State questioned; see p. 775. [2] National Salt Co. [3] By the single pound.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

ILLINOIS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Milford	1,077	Saginaw	? $0 19	$0.464	$0.536	(?)	Joy, Morton & Co.[1]
Minouk	2,545	Chicago	Delivered.	.396	.536	......	Do.[1]
Monmouth	7,460		?.18	.486	.500	(?)	Do.[1]
Mount Carmel	4,311	Chicago	?.25	.482	.571	$0.104	
Morrison	2,308	....do	Delivered.	.393	.429	.036	
Mount Carroll	1,965	Milwaukee and Chicago.	Delivered.	.525	.571	.046	L. J. Pettit.
Mound City	2,705	St. Louis	?.14	.46	.50	(?)	
Nauvoo	1,321		Delivered.	.497	.497	......	National Salt Co.
Onarga	1,270	Chicago	?.14	.482	.536	(?)	Michigan, and Joy, Morton[1] Cos.
Oregon	1,577	....do	Delivered.	.497	.271	.074	Joy, Morton & Co.[1]
Ottawa	10,588	....do	?.13	.50	.625	(?)	Michigan Salt Co.
Peoria	56,100		Delivered.	.464	.578	.114	Genesee Salt Co.
Savanna	3,325	Chicago	Delivered.	.507	.536	.029	Joy, Morton & Co.[1]
Sumner	1,268	St. Louis and Cincinnati.	Delivered.	.489	.50	.011	
Taylorville	4,248		Delivered.	.50	.571	.071	Michigan Salt Ass'n.
Vandalia	2,665		Delivered.	.41	.485	.075	
Virden	2,280	Chicago	Delivered.	.485	.571	.086	Joy, Morton & Co.[1]
Virginia	1,600		Delivered.	.536	.625	.089	
Warren	1,327	Chicago	Delivered.	.471	.518	.047	Do.[1]
Warsaw	2,335	....do	Delivered.	.50	.571	.071	Do.[1]
Whitehall	2,030	S. Louis	Delivered.	.486	.536	.05	J. F. Ewing & Co.
Wilmette	2,300	Chicago	Delivered.	.571	.66	.089	
Wyoming	1,277	Michigan	Delivered.	.493	.571	.078	Joy, Morton & Co.[1]
Yorkville	413	Chicago	?.123	.45	.486	(?)	

INDIANA.[2]

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Albion	1,324	Toledo	?$0.14	$0.482	$0.554	(?)	
Alexandria	1,721	Cleveland	Delivered.	.457	.50	$0.043	United Salt Co.[1]
Angola	2,141	Marine City and St. Clair.	Delivered.	.436	.482	.046	Michigan and Diamond Crys. Salt Cos.
Attica	3,005	Saginaw and Detroit.	Delivered.	.453	.536	.083	Genesee and Michigan Cos.
Auburn	3,396	Toledo and Cleveland.	Delivered.	.453	.536	.083	Wadsworth Salt Co. (sack salt); Cleveland (common salt).
Batesville	1,384	Benton Harbor.	Delivered.	.489	.571	.082	Fred Hobbs.
Bedford	6,115		Delivered.	.482	.571	.089	United Salt Co.[1]
Do	6,115		Delivered.	.535	.571	.036	Michigan Salt Ass'n.
Bloomfield	1,588	Saginaw	?.125	.482	.536	(?)	Do.
Brazil	7,786	Wadsworth, Ohio.	Delivered.	.482	[3]1.00	.518	Do.
Brookston	949	Saginaw	?.114	.411	.447	(?)	Do.
Cannelton	2,188	Michigan City, Ind.	Delivered.	.518	.571	0.053	
Charlestown	915		Delivered.	.571	.66	.089	
Columbus	8,130	Indianapolis	Delivered.	.518	.571	.053	
Connersville	6,836	Detroit	?.086	.457	.518	(?)	F. Hobbs & Michigan Ass'n.
Crawfordsville	6,649	Cleveland	Delivered.	.439	.500	.061	United Salt Co.
Crownpoint	2,336	Michigan	Delivered.	.457	.536	.079	
Delphi	2,135	Michigan City, Ind.	Delivered.	.457	.571	.114	Michigan Salt Ass'n.
Dublin	698	Richmond	Delivered.	.446	.50	.054	
East Chicago	3,411	Chicago	?.05	.625	.75	.075	Do.

[1]National Salt Co. [2]Freight rates in this State questioned; see p. 775. [3]By the single pound.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

INDIANA—Continued.

Town	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Edinburg	1,820	Indianapolis (dairy.)	?$0.08	$0.482	$0.571	$0.009	Michigan Salt Ass'n. (common); Standard Salt Co. (dairy).
Elkhart	15,184		Delivered.	.464	.536	.072	United Salt Co.[1]
Fort Wayne	45,115		Delivered.	.482	.518	.036	Do.[1]
Do.	45,115		Delivered.	.482	.50	.018	Wadsworth Salt Co.
Do.	45,115		Delivered.	.464	.50	.036	Do.
Greenfield	4,489	Saginaw	?.125	.429	.50	(?)	Michigan Salt Ass'n.
Greensburg	5,034	do	Delivered.	.470	.50	.03	
Hammond	12,376	Chicago	?.03	.553	[2]1.00	.417	
Hartford City	5,912	Saginaw	?.079	.457	.536	(?)	American Salt Co.
Indianapolis	169,164		Delivered.	.50	.536	.036	Standard Salt Co.
Do.	169,164		Delivered.	.446	.536	.09	
Jeffersonville	10,774		Delivered.	.482	.536	.054	Ohio Salt Co.
Knightstown	1,942	Indianapolis	Delivered.	.500	.536	.036	Michigan Salt Ass'n.
Lawrenceburg	4,326	Cincinnati, Ohio	Delivered.	.339	.41	.074	Do.
Madison	7,835		Delivered.	.464	.50	.037	
Michigan City	1,485	Manistee	Delivered.	.464	.482	.018	Do.
Monticello	2,107		Delivered.	.446	.50	.054	
Mount Vernon	5,132	Detroit or Cleveland.	Delivered.	.493	.536	.043	Do.
Nappanee	2,208	Saginaw	Delivered.	.457	.536	.079	Do.
Oakland City	1,991		Delivered.	.464	.50	.036	
Richmond	18,226	St. Clair, Mich	Delivered.	.50	.571	.071	Diam. Crys. and Detroit Cos.
Do.	18,226	Cleveland	Delivered.	.50	.536	.036	United Salt Co.[1]
Rockport	2,882	Evansville and Michigan.	Delivered.	.482	.536	.054	Diamond Crystal Co.
Rockville	2,045	Indianapolis	.15	.643	1.00	.207	National Salt Co.
Seymour	6,445		Delivered.	.518	.554	.036	Do.
South Bend	35,999		Delivered.	.464	.536	.072	Diamond Crystal Co.
Sullivan	3,118	Detroit	Delivered.	.489	.571	.082	Do.
Terre Haute	36,673		Delivered.	.446	.50	.054	Wadsworth Co.
Tipton	3,764	East Saginaw	?.10	.457	.50	(?)	East Saginaw Co.
Valparaiso	6,280	Chicago	?.10	.536	.571	(?)	
Vincennes	10,249	Detroit	?.10	.464	.50	(?)	Michigan Salt Ass'n.
Do.	10,249	Michigan	Delivered.	.482	.536	.054	
Wabash	8,618	Benton Harbor, Mich.	Delivered.	.457	.536	.079	United Salt Co.[1]
Winamac	1,684		Delivered.	.457	.482	.025	Michigan Salt Ass'n.
Winchester	3,705		Delivered.	.40	.446	.046	

IOWA.[3]

Town	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Atlantic	5,046	Council Bluffs	Delivered.	$0.575	$0.625	$0.05	Joy, Morton & Co.[1]
Anita	986	Chicago	Delivered.	.539	.589	.05	Mich. Salt Assn.
Audubon	1,866	do	Delivered.	.539	.66	.121	Do.
Bellevue	1,607		Delivered.	[4].321	.357	.036	
Bloomfield	2,105	Chicago	Delivered.	.553	.625	.072	Joy, Morton & Co.[1]
Boone	8,880	do	Delivered.	.569	.66	.091	National Salt Co.
Carroll	2,882	do	Delivered.	.625	.714	.089	Kansas Salt Co.
Cedar Rapids	25,656	do	?$0.11	.529	.571	(?)	Joy, Morton & Co.
Do.	25,656		Delivered.	.518	.571	.053	Wadsworth Salt Co.
Centerville	5,256	Chicago	Delivered.	.571	.625	.054	Joy, Morton & Co.[1]
Clarinda	3,276	do	Delivered.	.578	.625	.047	Do.
Do.	3,276	St. Louis	Delivered.	.60	.625	.025	Priesmeyer & Co.
Cresco	2,806	Milwaukee	Delivered.	.457	.518	.061	L. J. Pettit.
Davenport	35,254	Chicago	Delivered.	.507	.578	.071	National Salt Co.
Decorah	3,246	Milwaukee	?.16	.493	.536	(?)	

[1] National Salt Co.
[2] By the single pound.
[3] Freight rates in this State questioned, see p. 775.
[4] Probably an earlier purchase.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

IOWA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Denison	2,771	Chicago	Delivered.	$0.575	$0.643	$0.068	Joy, Morton & Co.[1]
Des Moines	62,139		Delivered.	.625	.643	.018	
Do.	62,139		Delivered.	.607	.643	.036	Diamond Crystal Co.
Eldon	1,850	Chicago	Delivered.	.518	.607	.089	
Elkader	1,321	Milwaukee	Delivered.	.525	.571	.046	Do.
Fairfield	4,689		Delivered.	.536	.589	.053	
Fort Madison	9,278		Delivered.	.507	.571	.064	National Salt Co.[1]
Greenfield	1,300	Michigan	Delivered.	.575	.625	.05	Joy, Morton & Co.[1]
Griswold	900		Delivered.	.539	.625	.086	Do.
Humboldt	1,474		Delivered.	.575	.66	.085	
Independence	3,656	Chicago	Delivered.	.553	.579	.026	
Indianola	3,261		Delivered.	.571	.625	.054	Do.
Iowa City	7,987	Chicago	Delivered.	.553	.625	.072	
Jefferson	2,601	.....do	Delivered.	.575	.589	.014	Do.
Knoxville	3,131	Milwaukee	?$0.146	.443	.607	(?)	Do.
Lansing	1,138		Delivered.	.518	.536	.018	L. J. Pettit.
Leon	1,905	Clinton	Delivered.	.539	.625	.086	Joy, Morton & Co.[1]
Lyons	....	Chicago	Delivered.	.500	.553	.053	
Malvern	1,166	Cedar Rapids	Delivered.	.575	.625	.05	
Manchester	2,887	Milwaukee	?.095	.529	.607	(?)	National Salt Co.
Maquoketa	3,777		Delivered.	.496	.496	......	Joy, Morton & Co.[1]
Muscatine	14,073	Chicago	Delivered.	.578	.536	.018	Wadsworth Salt Co.
Newton	3,682	.....do	Delivered.	.555	.625	.070	Joy, Morton & Co.[1]
Oelwein	5,142	Milwaukee	?.30	.528	.625	(?)	Do.
Onawa	1,923		Delivered.	.575	.625	.050	L. J. Pettit.
Oskaloosa	9,212	Chicago	Delivered.	.393	.446	.053	
Shenandoah	3,573		Delivered.	.575	.643	.068	Mich. Salt Assn.
Sigourney	1,952	St. Paul	Delivered.	.539	.625	.086	J. R. Pettit.
Vinton	3,499	Chicago	Delivered.	.539	.571	.032	Joy, Morton & Co.[1]
Waukon	2,153	.....do	Delivered.	.464	.536	.072	Diamond Crystal Co.

KANSAS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Abilene	3,507	Hutchinson	Delivered.	$0.45	$0.55	$0.10	Hutch., Kan., Salt Co.[1]
Argentine	5,878	Kansas City	Delivered.	[2].321	.446	.125	Kansas Salt Co.
Arkansas City	6,140		Delivered.	.482	.50	.018	Hutch., Kan., Co.[1]
Atchison	15,722		Delivered.	.50	.536	.036	
Do.	15,722		Delivered.	.50	.536	.036	
Augusta	1,197	Hutchinson	Delivered.	.482	.518	.036	Do.[1]
Belleville	1,833	.....do	Delivered.	.482	.571	.089	Barton Salt Co.[1]
Concordia	3,401	.....do	?$0.11	.536	.625	(?)	Hutch., Kan., Salt Co.[1]
Emporia	8,223	.....do	Delivered.	.482	.536	.054	Do.
Fredonia	1,650	.....do	Delivered.	.489	.536	.047	Do.
Goodland	1,059	St. Joseph and Kansas City.	Delivered.	[2].334	.75	.416	
Herington	1,607	Hutchinson	Delivered.	.468	.50	.032	Hutch., Kans., Salt Co.
Holton	3,082		Delivered.	.468	.536	.068	Hutchinson Packing Co.
Junction City	4,695		Delivered.	.50	.536	.036	
Kingman	1,785	Hutchinson	Delivered.	.40	.50	.10	
Leavenworth	20,735		Delivered.	.482	.518	.036	Hutch., Kan., Salt Co.[1]
Do.	20,735		Delivered.	.482	.518	.036	Do.
Marion	1,824	Hutchinson	Delivered.	.468	.50	.032	Do.
McPherson	2,996	.....do	Delivered.	.446	.482	.036	Do.
Minneapolis	1,727	.....do	Delivered.	.589	.625	.036	Do.
Neodesha	1,772	.....do	Delivered.	.589	.696	1.07	Do.
Newton	6,208	.....do	Delivered.	.446	.50	.054	Do.
Osage City	2,792	.....do	Delivered.	.475	.536	.061	Do.
Oswego	2,208	.....do	Delivered.	.50	.536	.036	Do.

[1] National Salt Co.

[2] Probably an earlier purchase.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

KANSAS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Ottawa	6,934		Delivered.	$0.475	$0.535	$0.06	Hutch., Kan., Salt Co
Do	6,934		Delivered.	.475	.518	.043	Do.
Paola	3,144	Hutchinson	Delivered.	.468	.518	.05	Do.
Parsons	7,682	do	Delivered.	.518	.536	.018	Do.
Peabody	1,369	do	Delivered.	.457	.50	.043	Do.
Pittsburg	10,112	do	Delivered.	.51	.553	.043	Do.
Pleasanton	1,097	do	Delivered.	.536	.571	.035	Do.
Sabetha	1,646	do	?$0.17	.507	.589	(?)	Barton Salt Co.
St. Marys	1,390	do	Delivered.	.471	.482	.011	Hutch., Kan., Salt Co
Topeka	33,608	do	Delivered.	.468	.536	.048	Do.
Do	33,608	do	Delivered.	.475	.536	.061	Do.
Washington	1,575	do	Delivered.	.536	.589	.053	Do.
Wichita	24,671	do	Delivered.	.482	.536	.054	Do.

KENTUCKY.[2]

Augusta	1,718	Cincinnati	$0.053	$0.446	$0.536	$0.037	
Berea	762	Louisville	?.13	.50	.571	?	J. O. Dickinson Co., Pomeroy, Ohio.
Calhoun	1,341	Evansville	0.10	.65	.85	.10	
Campbellsville	631		Delivered.	.628	.893	.265	
Cynthiana	3,257	Cincinnati	.15	.443	.625	.167	Cleveland & Wadworth Cos.
Elizabethtown	1,861	Louisville	?.08	.51	.64	?.13	J. B. Speed & Co.
Eminence	1,018	do	?.08	.589	.679	?.082	Do.
Flemingsburg	1,268	Paris	?.23	.571	.643	?.049	
Frankfort	9,487	Cincinnati	?.16	.543	.614	?.045	Worcester Salt Co.
Greenville	1,051	Louisville	Delivered.	.507	.574	.067	Michigan Salt Assn.
Henderson	10,272	St. Louis	?.107	.50	.557	?.046	Priesmeyer & Co.
Hopkinsville	7,280	Louisville	Delivered.	.537	.60	.063	J. B. Speed & Co.
Louisville	204,731		Delivered.	.493	.589	.096	National Salt Co.
Do	204,731	Louisville	Delivered.	.482	.536	.056	J. B. Speed & Co.
Do	204,731		Delivered.	.457	.571	.114	United Salt Co.[1]
Do	204,731		Delivered.	.464	.536	.072	
Murray	1,822		Delivered.	.553	.625	.072	
Morganfield	2,046	Evansville	Delivered.	.51	.589	.079	
Newport	28,301	Cincinnati	Delivered.	.482	.578	.096	
Owensboro	13,189		Delivered.	.446	.50	.054	
Paducah	19,446		Delivered.	.446	.50	.054	Buckeye Co.
Do	19,446	St. Louis	Delivered.	.50	.536	.036	Wadsworth Co.
Paris	4,603	Cincinnati	Delivered.	.51	.53	.02	Do.
Scottsville	824	Louisville	?.16	.510	.625	?.099	Ohio River and Michigan Cos.
Shelbyville	3,016	do	Delivered.	.66	.714	.054	J. B. Speed & Co.
Somerset	3,384		Delivered.	.66	1.00	.34	
Uniontown	1,532	Evansville	?.15	.436	.536	(?)	

LOUISIANA.

Amite	1,547		Delivered.	$0.357	$0.446	$0.089	English.
Houma	3,212	Avery	Delivered.	.375	.50	.125	Avery Co.
Jennings	1,539	New Iberia	?$0.16	.375	.45	?.075	Do.
Lake Providence	1,256	New Orleans	.15	.325	.55	.075	
Mandeville	1,029	do	?.007	.325	.375	?.05	
Mansfield	847	Shreveport	Delivered.	.52	.65	.13	
Monroe	5,428		Delivered.	.45	.55	.10	
New Orleans	287,104	New Orleans	Delivered.	.35	.50	.15	J. & M. Schwabacher.
White Castle	1,850	do	.10	.375	.50	.11	English.

[1] National Salt Co.

[2] Freight rates in this State questioned, see p. 775.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

MAINE.[1]

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Albion	878	Rockland	$0.09	$0.429	$0.893	$0.374	Worcester Salt Co.
Alfred	937	Portland	Delivered.	.643	.786	.143	Do.
Belfast	4,615		Delivered.	.446	.625	.179	Portland Salt Co.
Berwick	2,280		Delivered.	.643	.785	.142	
Biddeford	16,145	New York and Michigan.	Delivered.	[2].34	[3].428	.088	National Salt Co.
Bluehill	1,828	Boston, Mass., and Portland.	Delivered.	.50	.857	.357	
Bridgeton	1,552	Portland	.15	.514	.857	.328	
Caribon	4,758		Delivered.	.561	.694	.133	English.
Clinton	448	Portland	.165	.514	.714	.28	Turks Island.
Freeport	759	do	.105	.464	.857	.288	Do.
Hallowell	2,714	do	Delivered.	.643	.893	.250	
Houlton	4,686	Bangor	.175	.571	.714	.141	Do.
Kennebunk	3,228	Portland	Delivered.	.657	.786	.129	Do.
Machias	2,082	do	.089	.44	.595	.066	English.
McFalls		do	?.35	.50	.714	.214	
Pittsfield	2,208	Bangor	?.10	.471	.571	(?)	Turks Island.
Sanford	6,078	Springvale	.04	.50	.70	.16	Genesee Salt Co.
S. Berwick	3,188	Portland	?.15	.643	.714	(?)	Worcester Salt Co.
Warren	2,069	Rockland	.125	.50	.714	.089	Do.
Waterville	9,477	Brunswick	Delivered.	.571	.714	.143	Do.
Winterport	1,623	Boston	.071	.386	.643	.186	Do.
Winthrop	2,088	Auburn	.06	.535	.714	.119	Do.
Woodfords			Delivered	.536			
Yarmouth	2,274	Portland	.05	.56	.714	.104	Do.

MARYLAND.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Cumberland	17,128		Delivered.	$0.50	$0.562	$0.062	Ohio Salt Co.
Ellicott City	1,331	Baltimore	$0.06	.50	.625	.065	Kerr Salt Co.[4]
Frederick	9,296		Delivered.	.464	.536	.072	
Hagerstown	13,591		Delivered.	.493	.571	.078	Wadsworth Salt Co.
Do.	13,591		Delivered.	.507	.571	.064	Kerr Salt Co.[4]
Lonaconing	2,181	Cumberland	.05	.50	.719	.169	
Oakland	1,170		Delivered.	.486	.571	.085	Do.
Oxford	1,243	Baltimore	.054	.50	.714	-.16	
Snowhill	1,596	do	?.125	.50	.607	(?)	
Taneytown	665	Hanover	.08	.428	.536	.028	National Salt Co.
Upper Marlboro	449	Baltimore	.06	.486	.571	.025	Kerr Salt Co.[4]
Williamsport	1,472		Delivered.	.50	.563	.063	

MASSACHUSETTS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Amherst	5,028		Delivered.	$0.573	$0.714	$0.141	
Andover	6,813		Delivered.	.407	.536	.129	
Ayer	2,446	Boston	$0.07	.607	.714	.037	
Barre	2,059		Delivered.	.485	.633	.148	Genesee Salt Co.
Brockton	40,063	Boston	.06	.428	.643	.155	Turks Island.
Brookfield	3,062	Worcester	.09	.50	.784	.124	
Cambridge	91,886	Boston	Delivered.	.472	.555	.083	
Do.	91,886	do	Delivered.	.472	.555	.083	Eastern Salt Co.
Do.	91,886	do	Delivered.	.472	.693	.221	Crystalline Salt Co.
Easthampton	5,603	Holyoke	Delivered.	.536	.589	.053	Warsaw, N. Y.[4]

[1] Many dealers in this State buy Turks Island and other locally made coarse salts. Usually name of maker is not given, but salt is bought in bags of 70 pounds, a size mostly confined to salt produced in New England.
[2] Car lots.
[3] 10-bushel lots.
[4] National Salt Co.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued

MASSACHUSETTS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
East Lexington		Boston	Delivered.	$0.472	$0.508	$0.036	Eastern Salt Co.
East Weymouth		do	$0.06	.472	.639	.107	
Edgartown	1,209	New Bedford	.086	.50	1.03	.417	Turks Island.
Everett	24,336	Boston		.472	.555		Crystalline Salt Co.
Fitchburg	31,531		Delivered.	.607	.714	.107	
Foxboro	3,266	Boston	Delivered.	.444	.593	.149	
Hingham	5,059		Delivered.	.518	1.018	.50	
Holyoke	45,712		Delivered.	.507	.607	.10	National Salt Co.
Hyannis		Boston	.13	.643	.893	.12	Turks Island.
Lawrence	62,559	Syracuse, N. Y	Delivered.	.40	.536	.136	National Salt Co.
Do	62,559	Warsaw, N. Y	Delivered.	.50	.639	.139	Do.
Lowell	94,969		Delivered.	.571	.714	.143	Worcester Salt Co.
Lynn	68,513	Boston	Delivered.	.41	.53	.12	Eastern Salt Co.
Malden	33,664	do	Delivered.	.42	.555	.135	Do.
Do	33,664	do	.04	.50	.61	.11	
Manchester	2,522	do	.055	.472	.693	.166	Do.
Mattapoisett	1,061		Delivered.	[1].714	.857	.143	
Medford	2,926	Boston	.06	.50	.714	.154	
Methuen	7,512	do	Delivered.	.472	.550	.078	Worcester Salt Co.
Millbury	4,460	Worcester	Delivered.	.41	.710	.30	
Newton	33,587	Boston	.04	.528	.693	.125	Do.
North Adams	24,200		Delivered.	[1].625	.855	.446	Worcester Salt Co.
Northampton	18,643		Delivered.	.536	.625	.089	Genesee Salt Co.
North Andover	4,243	Lawrence	Delivered.	.472	.528	.056	
Norwood	5,480	Boston	.04	.42	.555	.095	Worcester Salt Co.
Orange	5,520		Delivered.	.50	.555	.055	Do.
Peabody	11,523	Boston	Delivered.	.50	.555	.055	Eastern Salt Co.
Pittsfield	21,766		Delivered.	[1].714	.804	.09	
Plymouth	9,592	Boston	Delivered.	.41	.50	.09	
Quincy	23,899	do	.05	.42	.555	.085	
Southbridge	10,025	Genesee, N. Y	Delivered.	.429	.536	.107	Genesee Salt Co.
Springfield	62,039		Delivered.	[1].518	.589	.071	
Stoughton	5,442	Boston	.06	.472	.639	.107	
Taunton	31,036		Delivered.	.571	.679	.108	
Wakefield	9,290	Boston	.06	.50	.666	.104	Eastern Salt Co.
Ware	8,263		Delivered.	.507	.636	.129	Robert Gear Co.
Watertown	9,706		Delivered.	.42	.50	.08	
West Springfield	7,105		Delivered.	.50	.589	.089	Crystalline Co.
Winchester	7,248	Boston	.04	.678	.893	.211	
Winthrop	6,058		Delivered.	.536	.928	.392	
Worcester	118,421		Delivered.	.45	.50	.05	
Do	118,421		Delivered.	.50	.614	.114	

MICHIGAN.[3]

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Adrian	9,654	Detroit	Delivered.	$0.393	$0.482	$0.089	Diamond Crystal Co.
Albion	4,519	Jackson	?$0.07	.41	.446	(?)	United[2] & Diamond Crystal Cos.
Badaxe	1,241	Saginaw and Bay City.	Delivered.	.50	[4]1.00	.50	Buckeye Co.
Belding	3,282	Grand Rapids	?.10	.446	.589	?.043	
Benton Harbor	6,562		Delivered.	.429	.482	.053	
Big Rapids	4,686	Saginaw	Delivered.	.41	.446	.036	
Cadillac	5,997	St.Clair and Saginaw.	Delivered.	.464	.535	.071	Diamond Crystal Michigan Cos.
Cedar Springs	950		Delivered.	.36	.50	.14	
Charlevoix	2,079	Grand Rapids	?.068	.393	.571	?.110	Diamond Crystal Co.

[1] Probably dairy salt.
[2] National Salt Co.
[3] Freight rates in this State are questioned. See page 775.
[4] By the single pound.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

MICHIGAN—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Charlotte	4,092	St. Clair	Delivered.	$0.411	$0.464	$0.053	Diamond Crystal Co.
Cheboygan	6,489	....do	Delivered.	.411	.50	.089	Do.
Chelsea	1,635	Detroit	?$0.10	.393	.446	(?)	Do.
Coldwater	6,216	Chicago	?.15	.42	.464	(?)	Michigan Star Co.
Crystal Falls	3,231	Green Bay	?.27	.535	.928	(?)	
Detroit	285,704		Delivered.	.446	.535	.089	
Do	285,704		Delivered.	.321	.367	.046	
Do	285,704		Delivered.	.393	.446	.053	Detroit Salt Co.
Do	285,704		Delivered.	.393	.446	.053	Diamond Crystal Co.
Do	285,704		Delivered.	.393	.464	.071	Detroit Salt Co.
Durand	2,134	St. Clair	?.10	.393	.482	(?)	Diamond Crystal Co.
Fenton	2,408	Detroit	Delivered.	.393	.446	.053	St. Clair Salt Co.
Gladstone	3,380	Menominee	?.071	.464	.571	?.036	Diamond Crystal Co.
Grand Haven	4,783	Saginaw	Delivered.	.446	.50	.054	Michigan Salt Ass'n.
Grand Rapids	87,565		Delivered.	.446	.50	.054	Do.
Harbor Springs	1,643	Saginaw	Delivered.	.375	.428	.053	Do.
Hartford	1,077		?.12	.536	.714	?.058	United Salt Co.[1]
Holland	7,790		Delivered.	.464	.518	.054	Mich. Salt Ass'n.
Lakeview	935	Saginaw	?.06	.446	.625	?.119	Do.
Lapeer	3,297	Cleveland, Ohio	Delivered.	.425	.446	.021	United Salt Co.[1]
Leslie	1,114	Jackson	?.07	.425	.464	(?)	Diamond Crystal Co.
Mancelona	1,226	Grand Rapids	?.057	.482	.535	(?)	Do.
Marcellus	1,025	Saginaw	?.05	.404	.482	?.028	Mich. Salt Ass'n.
Marquette	10,058		Delivered.	.446	.535	.089	
Menominee	12,818		Delivered.	.357	.446	.089	
Morenci	1,334	Detroit	Delivered.	.402	.446	.044	
Negaunee	6,935		Delivered.	.50	.714	.214	
Niles	4,287	Saginaw and Cleveland.	Delivered.	.439	.518	.079	United Salt Co.[1]
Ontonagon	1,267	Duluth	?.053	.446	.714	.215	
Oscoda	1,109		Delivered.	.471	.571	.10	National Salt Co.
Port Huron	19,158	St. Clair	Delivered.	.393	.446	.053	Diamond Crystal Co.
Reed City	2,051		Delivered.	.429	.482	.053	Do.
Saginaw	42,345		Delivered.	.357	.411	.054	United Salt Co.[1]
South Frankfort	3,388		.071	.393	.518	.054	Cleveland Salt Co.
Tecumseh	2,400	Toledo	?.10	.429	.464	......	Diam. Crys. & Worcester Cos.
Travers City	9,407	Manistee	Delivered.	.393	.464	.071	Mich. Salt Ass'n.
West Bay City	13,119		Delivered.	.393	.446	.053	United Salt Co.[1]
Williamston	1,113	Saginaw	Delivered.	.411	.446	.035	
Ypsilanti	7,378		Delivered.	.394	.446	.052	

MINNESOTA.[2]

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Albert Lea	4,500		Delivered.	$0.500	$0.625	$0.125	
Alexandria	2,681	Duluth	$0.15	.393	.660	.152	
Anoka	3,769		Delivered.	.464	.518	.054	
Cannon Falls	1,239	Milwaukee	Delivered.	.529	.589	.060	L. J. Pettit & Co.
Chatfield	1,426	....do	Delivered.	.529	.589	.060	Michigan Salt Ass'n.
Detroit	2,060	Duluth	?.17	.660	.750	?.09	
Duluth	52,969	Toledo	Delivered.	.50	.536	.036	
Fairmont	3,040		Delivered.	.521	.536	.015	
Fergus Falls	6,072		Delivered.	.625	.660	.035	Diamond Crystal Co.
Grand Rapids	1,428	Duluth	.085	.41	.571	.076	
Hutchinson	2,495	....do	?.132	.464	.571	?.107	Do.
Kenyon	1,202	Milwaukee	?.118	.457	.571	?.114	L. J. Pettit.

[1]National Salt Co.
[2]Some freight rates in this State questioned, but others are shown clearly by schedules. See p. 775.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

MINNESOTA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Lanesboro	1,102	Milwaukee	Delivered.	$0.529	$0.570	$0.041	
Litchfield	2,280		?$0.20	.446	.536	?.090	
Long Prairie	1,385	Duluth	.16	.41	.625	.055	
Luverne	2,223		Delivered.	.571	.625	.054	National Salt Co.
Mankato	10,599	Milwaukee	Delivered.	.518	.536	.018	L. J. Pettit.
Mazeppa	556	do	Delivered.	.497	.571	.074	Do.
Minneapolis	202,718		Delivered.	.482	.536	.054	
Montevideo	2,146		Delivered.	.536	.660	.124	
Moorhead	3,730		Delivered.	.714	.803	.089	
New Ulm	5,403		Delivered.	.536	.625	.089	
North Branch	1,211	Duluth	?.071	.482	.571	?.089	Diamond Crystal Co.
Northfield	3,210		[1] Delivered.	.539	.571	.032	
North St. Paul	1,110		.042	.446	.536	.046	Do.
Ortonville	1,247	Milwaukee	Delivered.	.593	.660	.067	L. J. Pettit & Co.
Pipestone	2,536		Delivered.	.50	.625	.125	Diamond Crystal Co.
Plainview	1,038		Delivered.	.493	.536	.043	Do.
Preston	1,278	Duluth	Delivered.	.482	.553	.071	
Princeton	1,319		?.053	.482	.536	?.054	
Red Wing	7,525		Delivered.	.543	.607	.064	United Salt Co.[2]
Rochester	6,843		Delivered.	.521	.589	.058	Diamond Crystal Co.
Rushford	1,062		Delivered.	.571	[3] 1.000	.429	
Sauk Center	2,220	Duluth	Delivered.	.56	.625	.065	Do.
Springfield	1,511		Delivered.	.529	.589	.060	Worcester Salt Co.
Spring Valley	1,770	Milwaukee	Delivered.	.529	.571	.042	L. J. Pettit & Co.
St. Cloud	8,663	Duluth	.035	.50	.589	.089	
St. James	2,607	Milwaukee	Delivered.	.514	.589	.075	Do.
St. Paul	163,065	West Superior	Delivered.	.482	.589	.107	Warsaw Salt Co.[2]
Stillwater	12,318	Duluth	Delivered.	.486	.536	.050	
Tracy	1,911	St. Paul	Delivered.	.50	.589	.089	Diamond Crystal Co.
Two Harbors	3,278	Duluth	.16	.446	.714	.252	
Wabasha	2,528		Delivered.	.50	.571	.071	Michigan Salt Assn.
Waterville	1,260	Milwaukee	?.133	.457	.536	?.079	Theopold Mfr. Co.
Whitebear Lake	1,288	St. Paul	?.08	.536	.625	?.081	
Winona	19,714		Delivered.	.446	.482	.036	United Salt Co.[2]
Virginia	2,962	Duluth	Delivered.	.428	.536	.108	
Zumbrota	1,119		Delivered.	.436	.518	.082	Michigan Salt Co.

MISSISSIPPI.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Bay St. Louis	2,872	New Orleans	$0.17	$0.425	$0.75	$0.308	
Brandon	775	do	.16	.367	.65	.123	
Columbus	6,484		Delivered.	.55	.65	.10	
Gloster	1,661	New Orleans	.18	.50	.75	.07	English.
Greenville	7,642	New Iberia	Delivered.	[4] .35	.50	.15	Avery Co.
Hattiesburg	4,175		Delivered.	[4] .36	.40	.04	
Iuka	7,816	Memphis	Delivered.	.643	.679	.036	
Kosciusko	2,078	Chicago	Delivered.	.53	.625	.095	National Salt Co.
Lexington	1,516	New Orleans	.12	[4] .35	.625	.155	English.
Mosspoint		do	.10	[4] .35	.625	.175	
Oxford	1,825	Cairo, Ill	Delivered.	.603	.625	.022	Halladay Co.
Ripley	653	Memphis	Delivered.	.66	.714	.054	
Shuqualak	600	St. Louis	Delivered.	[4] .379	.393	.014	
Vicksburg	14,834		Delivered.	[4] .345	.45	.105	Avery and Lone Star Cos.;[2] Diamond Crystal Co.
Do	14,834		Delivered.	.60	.70	.10	
Water Valley	3,813	St. John, Ill	Delivered.	.607	.714	.107	Halladay Salt Co.

[1] Sacks. [2] National Salt Company. [3] By the single pound.

[4] The marked differences in prices are probably largely due to differences in time of purchase, earlier purchases being at lower prices. Note that in Vicksburg dealers report prices of 0.345 and 0.60, respectively, apparently both for the same grade of salt, in 200-pound bags.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

MISSOURI.[1]

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Ash Grove	1,039	Springfield, Mo.	Delivered.	$0.510	$.571	$.061	
Aurora	6,191	Hutchinson, Kans.	?$0.15	.50	.536	?.036	Hutch.-Kan. Salt Co.[2]
Bowling Green	1,902	St. Louis, Mo.	Delivered.	.557	.625	.068	Do.[2]
Butler	3,158	do	Delivered.	.502	.571	.069	Do.[2]
Cape Girardeau	4,815	do	?.053	.50	.536	?.036	Michigan Salt Assn.
Carrollton	3,854	do	?.27	.571	.625	?.054	Priesmeyer Salt Co.
Columbia	5,651		Delivered.	.482	.571	.089	Joy, Morton & Ewing.[2]
Dexter	1,862		Delivered.	.536	.589	.053	
Eldorado Springs	2,137	Hutchinson, Kans.	Delivered.	.553	.625	.072	Hutch.-Kan. Salt Co.[2]
Emma		do	Delivered.	.571	.625	.054	Do.[2]
Farmington	1,778	do	Delivered.	.554	.66	.106	J. F. Ewing & Co.
Festus	1,256	do	Delivered.	.514	.625	.111	Do.
Fulton	4,883	do	Delivered.	.526	.554	.028	
Gallatin	1,780		Delivered.	.575	.66	.085	
Greenfield	1,406	Hutchinson, Kans.	Delivered.	.50	.554	.054	Hutch.-Kan. Salt Co.[2]
Hopkins	907		Delivered.	.575	.625	.050	National Salt Co.
Huntsville	1,805	St. Louis	?.24	.554	.625	......	Priesmeyer & Co.
Independence	6,974	Kansas City, Mo.	?.06	.482	.536	......	Crystal Salt Co.
Jefferson City	9,664	St. Louis	?.23	.536	.75	......	
Joplin	26,023	Hutchinson, Kans.	Delivered.	.536	.571	.035	Hutch.-Kan. Salt Co.[2]
Do	26,023		Delivered.	.536	.625	.089	
Kansas City	163,752	Hutchinson, Kans.	Delivered.	.482	.536	.054	Do.[2]
Do	163,752	Kansas City, Mo.	Delivered.	.50	.518	.018	Joy, Morton & Co.[2]
Knobnoster	673	Hutchinson, Kans.	Delivered.	.50	.571	.071	
Lagrange	1,507	Chicago	Delivered.	.507	.554	.047	Joy, Morton & Co.[2]
Lebanon	2,125	Hutchinson, Kans.	?$0.15	.50	.536	?.036	Hutch.-Kan. Salt Co.[2]
Liberty	2,407	Kansas City, Mo.	?.09	.589	.625	?.036	Do.[2]
Milan	1,757	Chicago	Delivered.	.593	.607	.014	
Monett	3,115		Delivered.	.50	.589	.089	Hutch.-Kan.[2], and Priesmeyer.
Monroe City	1,929	Chicago	Delivered.	.536	.575	.039	
Mount Vernon	1,206	Hutchinson, Kans.	Delivered.	.50	.536	.036	Barton Salt Co.
Norborne	1,189	Hutchinson, Kans., and Saginaw, Mich	Delivered.	.575	.607	.032	Hutch.-Kan., and Mich. Cos.[2]
Oregon	1,032	Chicago	?.26	.575	.589	?.014	Joy, Morton & Co.[2]
Paris	1,397	do	Delivered.	.528	.589	.061	T. F. Ewing.
Pattonsburg	1,065	do	Delivered.	.575	.625	.050	Joy, Morton & Co.[2]
Plattsburg	1,878	St. Louis	Delivered.	.575	.625	.05	
Pleasant Hill	2,002	Hutchinson. Kans,	Delivered.	.482	.575	.093	Hutch.-Kan. Salt Co.[2]
Richmond	3,478		Delivered.	.625	.679	.054	
St. Joseph	102,979		Delivered.	.50	.536	.036	Hutch.-Kan. Salt Co.[2]
Do	102,979	Hutchinson, Kans.	Delivered.	.468	.607	.139	Barton Bros.
St. Louis	575,238		Delivered.	.50	.553	.053	National Salt Co.
Do	575,238		Delivered.	.536	.625	.089	Priesmeyer & Co.
Do	575,238		Delivered.	.536	.625	.089	Do.

[1] Freight rates questioned, see p. 775,

[2] National Salt Co.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

MISSOURI—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Sarcoxie	1,126	Hutchinson, Kans.	Delivered.	$0.50	$0.575	$0.075	
Springfield	23,267		Delivered.	.50	.518	.018	Hutch.-Kan. Salt Co.[1]
Do	23,267	Hutchinson, Kans.	Delivered	.536	.553	.017	Do.[1]
Stewartsville	616	Chicago	Delivered.	.468	.536	.068	Joy, Morton & Co.[1]
Vandalia	1,168	St. Louis	?.071	.528	.589	(?)	Canfield Salt Co.
Wellsville	1,160	do	?.071	.571	.643	?.072	
York		Hutchinson, Kans.	Delivered.	.532	.625	.093	Hutch.-Kan. Salt Co.[1]

MONTANA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Anaconda	9,453	Salt Lake City	Delivered.	$0.875	$1.00	$0.125	Inland Crystal Co.
Billings	3,221	Duluth	?$0.45	.804	.893	(?)	
Boulder		Butte	.18	.733	1.20	.287	Do.
Bozeman	3,419	Salt Lake City	Delivered.	.80	.90	.10	Do.
Butte	30,470	do	Delivered.	.60	1.00	.40	Do.
Deer Lodge	1,324	Duluth	.482	.675	.825	.15	Cutler & Gilbert.
Great Falls	14,930	Michigan	Delivered.	.303	.857	.072	
Helena	10,770	Lake Superior	.64	.85	.90	.05	United Salt Co.[1]
Kalispell	2,526	Duluth	Delivered.	.346	1.25	.264	
Livingston	2,778	Salt Lake City	Delivered.	1.25	1.34	.09	Inland Crystal Co.
Missoula	4,366		?.53	.725	.85	(?)	
Philipsburg	995	Salt Lake City	Delivered.	.993	1.25	.257	Do.
Red Lodge	5,152	Duluth	Delivered.	.946	1.07	.124	

NEBRASKA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Alliance	2,535	Chicago, Ill	Delivered.	$0.803	$0.857	$0.054	Joy, Morton & Co.[1]
Ashland	1,477	Omaha	Delivered.	.586	.66	.074	Genesee Co.
Auburn	2,664	Chicago, Ill	Delivered.	.539	.625	.086	Joy, Morton & Co.[1]
Beatrice	7,875	do	Delivered.	.579	.66	.081	Do.[1]
Blair	2,970	Omaha	?$0.12	.536	.714	(?)	Hutch.-Kan. Co.[1]
Central City	1,571	Chicago, Ill	Delivered.	.614	.714	.1	Joy, Morton & Co.[1]
Columbus	3,522	Hutchinson, Kans.	Delivered.	.61	.679	.069	Hutch.-Kan. Co.[1]
Crawford	731	Chicago, Ill	Delivered.	.786	.893	.107	National Salt Co.
Dorchester	521	do	(?)	.571	.625	?.054	Joy, Morton & Co.[1]
Falls City	3,022	St. Joseph, Mo	Delivered.	.539	.625	.086	Kansas Salt Co.
Fremont	7,241		Delivered.	.589	.66	.071	Port Huron Salt Co.
Friend	1,200	Omaha	Delivered.	.58	.66	.08	Diamond Crystal Co.
Geneva	1,534	Chicago, Ill	Delivered.	.593	.66	.067	
Gothenburg	819		Delivered.	.696	.768	.072	J. Morgan, Chicago.
Holdrege	3,007	Michigan	Delivered.	.636	.714	.078	Joy, Morton & Co.[1]
Indianola	626	do	Delivered.	.732	.803	.071	
Lincoln	40,169	Hutchinson, Kans.	Delivered.	.625	.714	.089	Hutch.-Kan. Co.[1]
Do	40,169		Delivered.	.625	.66	.035	
Norfolk	3,883	Chicago, Ill	Delivered.	.589	.66	.071	Joy, Morton & Co.[1]
Omaha	102,555		Delivered.	.625	[2]1.25	.625	
Do	102,555		Delivered.	.625	.625		National Salt Co.
Do	102,555		Delivered.	.625	.625		Hutch.-Kan. Co.[1]
Do	102,555		Delivered.	.625	.696	.071	
Do	102,555		Delivered.	.625	.714	.089	Do.[1]
Randolph	850	Chicago, Ill	Delivered.	.553	.625	.072	

[1] National Salt Co.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

NEBRASKA—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Shelton	861	Chicago	Delivered.	$0.625	$0.714	$0.089	Joy, Morton & Co.[1]
St. Paul	1,475		Delivered.	.607	.679	.072	
Stromsburg	1,154	Chicago, Ill.	Delivered.	.592	.66	.068	Do.[1]
Tekamah	1,597		Delivered.	.546	.67	.124	
Wahoo	2,100	Michigan and New York.	Delivered.	.571	.625	.054	
York	5,132	Michigan	Delivered.	.593	.66	.067	Do.[1]
NEVADA.							
Virginia City	2,693	Reno	$0.15	$0.50	$1.00	$0.35	
NEW HAMPSHIRE.							
Bartlett	1,013	Portland	$0.17	$0.571	$0.857	$0.116	
Belmont	1,294	Concord	Delivered.	.643	.857	.214	Worcester Salt Co.
Canaan	1,444	....do	.11	.643	.857	.104	Do.
Claremont	6,498		Delivered.	.628	.857	.229	Do.
Concord	19,632		Delivered.	.643	.786	.143	Do.
Conway	3,154	Portland	.17	.643	.786	.126	Turks Island.
Epping	1,641	Portsmouth	.05	.45	.555	.055	
Exeter	4,922	New York	Delivered.	.512	.625	.113	Yorkshire Salt Co.
Hinsdale	1,933	Keene	.05	.536	.079	.138	Do.
Keene	9,165	Boston	Delivered.	.417	.50	.083	Do.
Laconia	8,042	Concord	Delivered.	.614	.857	.243	Do.
Littleton	4,066		Delivered.	.60	.857	.257	Do.
Marlboro	1,524	Keene	.025	.536	.714	.153	Do.
Newport	3,126	Boston	Delivered.	.60	.786	.186	? National Salt Co.
Tilton	1,926	New York	Delivered.	.643	.857	.214	
Winchester	2,274		Delivered.	.536	.803	.267	
Wolfboro	2,390	Boston	.17	.643	.786	.126	
NEW JERSEY.							
Belvidere	902	Hackettstown	Delivered.	$0.472	$0.550	$0.078	Diamond Crystal Co.
Bordentown	4,110	Trenton, N. J	$0.06	.571	.714	.083	Warsaw Salt Co.[1]
Camden	75,935	Warsaw, N. Y	Delivered.	.518	.571	.053	Empire Dairy Co.[1]
Cape May	2,257	Philadelphia	(?) .16	.696	.857	.111	Worcester Salt Co.
Flemington		....do	.08	.714	.893	.99	Worcester and Glen Co.s.[1]
Garfield	3,504	New York	(?) .08	[2].367	.446	.071	
Hackettstown	2,474	Newark	Delivered.	.625	.714	.089	Worcester Salt Co.
Hoboken	59,364	New York	Delivered.	.321	.464	.143	
Keyport	3,413	....do	.066	.804	1.070	.20	National Salt Co.
Leonardo		Camden	.10	.651	1.250	.499	
Milburn	2,837		Delivered.	.629	.893	.264	
Newark	246,070		Delivered.	.500	.536	.036	
Do	246,070		Delivered.	......	......	......	
Paterson	105,171		Delivered.	.545	.50	......	
Do	105,171		Delivered.	.464	.536	.072	

[1] National Salt Co.

[2] Larger sacks. The higher prices are chiefly for bushel sacks. Some dealers indicate that they buy dairy salt in bushel sacks, and it is highly probable that this is the grade reported by others as farm salt.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

NEW JERSEY—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Paulsboro	....	Philadelphia	$0.07	$0.571	$0.714	$0.136	
Plainfield	15,369	New York	.06	.536	.714	.172	
Newton	4,376	Newark	Delivered.	.40	.472	.072	
Do	24,141	Silver Springs	Delivered.	.682	.876	.194	Worcester Salt Co.
Pleasantville	2,182	Philadelphia	.12	.536	.857	.201	National Salt Co.
Red Bank	5,428	Newark	.08	.45	.625	.095	
Salem	5,811	Philadelphia	.08	.519	.687	.088	
West Orange	6,889	New York	Delivered.	.536	.66	.124	

NEW YORK.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Allegany	3,692	Warsaw	Delivered.	$0.393	$0.482	$0.109	National Salt Co.
Amsterdam	20,929	....	Delivered.	.464	.536	.072	Worcester Salt Co.
Attica	1,785	....	Delivered.	.414	.50	.086	National Salt Co.
Belmont	1,190	Warsaw	Delivered.	.429	.50	.071	United Salt Co.[1]
Binghamton	39,647	....	Delivered.	.393	.464	.073	Duncan Salt Co.
Do	39,647	Syracuse	Delivered.	.41	.536	.126	
Brewster	1,192	....do	Delivered.	[2].286	.446	.160	Syracuse Salt Co.
Brockport	3,398	Rochester	$0.08	.429	.464	.027	National Salt Co.
Buffalo	352,387	....	Delivered.	.446	.50	.054	
Do	352,387	....	Delivered.	.446	.50	.054	Warsaw Salt Co.[1]
Cambridge	1,578	Troy	.09	.406	.536	.121	Worcester Salt Co.
Cobleskill	2,327	....	Delivered.	.482	.518	.036	
Cooperstown	2,368	....	Delivered.	.406	.536	.130	Genesee Salt Co.
Dundee	1,291	Watkins	[3].107	.304	.446	.035	Watkins Salt Co.
Dunkirk	11,616	Cleveland	.07	.393	.446	.046	United Salt Co.[1]
Do	11,616	New York	Delivered.	.357	.41	.053	Worcester Salt Co.
East Patchogue	2,926	....do	.09	?.525	.75	.216	
Elmira	35,672	....	Delivered.	.446	.536	.090	Watkins Salt Co.
Fairport	2,489	Rochester	Delivered.	.464	.536	.072	Watkins and Warsaw.[1]
Fredonia	4,127	Cleveland	Delivered.	.446	.536	.090	United Salt Co.[1]
Friendship	1,214	Wellesville	Delivered.	.446	.482	.036	Duncan Salt Co.
Fulton	5,281	Syracuse	.045	.416	.464	.048	
Geneva	10,433	....	Delivered.	.464	.50	.036	Warsaw Salt Co.[1]
Geneseo	2,400	....	Delivered.	.357	.50	.143	Genesee Salt Co.
Gloversville	18,349	....	Delivered.	.446	1.00	.554	
Herkimer	5,555	Utica	Delivered.	.625	.813	.188	
Homer	6,206	Cortland	Delivered.	.50	.625	.125	Do.
Ithaca	13,136	....	Delivered.	.571	.625	.054	National Salt Co.
Do	13,136	....	Delivered.	.50	.536	.036	Cayuga[1] and Ithaca S. Cos.[1]
Islip	12,545	New York City	.08	.50	.70	.12	
Jamaica	....	Piffard	.13	.555	.694	.090	Genesee Salt Co.
Jamestown	22,892	Cleveland	Delivered.	.425	.536	.111	United Salt Co.[1]
Do	22,892	....	Delivered.	.425	.482	.057	United[1] and Genesee Cos.
Johnstown	10,130	Albany	Delivered.	.425	.464	.039	
Keeseville	2,110	Syracuse	Delivered.	.589	.643	.054	National Salt Co.
Little Falls	10,381	Syracuse	.07	.464	.536	.065	American Dairy Co.
Lockport	16,581	New York City	Delivered.	.50	.536	.036	National Salt Co.
Do	16,581	....	Delivered.	.464	.50	.036	Worcester Salt Co.
Malone	5,935	....	Delivered.	.536	.536	.....	National Salt Co.
Mattituck	....	New York City	.125	.446	.589	.018	Worcester Salt Co.
Mayville	943	Cleveland	Delivered.	.332	.446	.114	United Salt Co.[1]
Middletown	14,522	....	Delivered.	.50	.571	.071	National Salt Co.
Naples	1,048	Watkins	Delivered.	.464	.553	.069	Watkins Salt Co.[1]

[1] National Salt Company. [2] Perhaps in earlier quotations. [3] Cartage.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

NEW YORK—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Olean	9,462		Delivered.	$0.482	$0.536	$0.054	United Salt Co.[1]
Do	9,462	Cleveland	Delivered.	.464	.536	.072	United Salt Co.[1]
Oswego	22,199		Delivered.	.446	.57	.124	National Salt Co.
Oxford	1,931	New York City.	Delivered.	.425	.536	.111	Leroy Salt Co.[1]
Phelps	1,306	Silversprings	Delivered.	.39	.500	.11	Worcester Salt Co.
Phoenix	1,532	Syracuse	$0.05	.447	.536	.039	Warsaw Salt Co.[1]
Plattsburg	8,434	Warsaw, or Syracuse.	[2] .20	.536	.625	.089	Do.
Port Jarvis	9,385	Newburgh	Delivered.	.536	.643	.107	Empire Salt Co.[1]
Rensselaer	7,466		Delivered.	.518	.57	.042	
Rochester	162,608		Delivered.	.464	.536	.072	Warsaw Salt Co.[1]
Do	162,608		Delivered.	.446	.50	.054	Do.
Rome	15,343		Delivered.	.482	.536	.054	Yorkshire Salt Co.
Rondout			Delivered.	[3] .625	.714	.089	American Dairy Co.
Roslyn		New York City.	.075	.45	.675	.225	
Rouse Point	1,675		Delivered.	.447	.714	.267	Brighton Salt Co.
Sag Harbor	1,969	New York City.	.107	[3] .625	.893	.161	
Saratoga Springs	12,409		Delivered.	.589	.675	.086	
Do	12,409	Albany	Delivered.	.536	.625	.089	Worcester Salt Co.
Schenectady	31,682		Delivered.	.464	.536	.072	Leroy Salt Co.[1]
Seneca Falls	6,519	Warsaw	Delivered.	.428	.482	.54	National Salt Co.
Southold		New York City.	? .15	.607	.786	.029	
St. Johnsville	1,873	Syracuse	Delivered.	.472	.536	.064	Onondaga Salt Assn.
Tuckahoe			Delivered.	.536	.625	.089	
Union Springs	994	Ludlowville	.08	.425	.536	.031	National Salt Co.
Utica	56,383		Delivered.	.393	.446	.053	Glen Salt Co.[1]
Do	56,383		Delivered.	.426	.100	.574	National Salt Co.
Waterford	3,146	Albany	.06	.446	.57	.064	Do.
Waterloo	4,256		Delivered.	.446	.536	.09	
Watertown	21,696		Delivered.	.52	.60	.08	Do.
Waverley	4,465	Warsaw	Delivered.	.404	.482	.078	Empire Dairy Co.[1]
Wayland	1,307	Leroy	Delivered.	.469	.536	.067	National Salt Co.[1]
Wellsville	3,556	Warsaw	Delivered.	.469	.482	.013	
Westfield	2,430	Cleveland	Delivered.	.446	.536	.09	United Salt Co.[1]
Wolcottsville	1,279	Rockford	Delivered.	.446	.75	.304	

NORTH CAROLINA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Clinton	958	Wilmington	? $0.17	$0.43	$0.50	(?)	
Durham	6,679	Richmond, Va.	Delivered.	.57	.625	$0.055	
Kernersville	652		Delivered.	.56	.65	.09	
Lenoir	1,296	Richmond, Va.	Delivered.	.68	.80	.12	
Lincolnton	828	Wilmington	Delivered.	.60	.70	.10	National Salt Co.
Madison	813		? .28	.58	.65	(?)	Do.
Maxton	935	Wilmington	.09	.39	.625	.17	
Monroe	2,427	do	Delivered.	.60	.65	.05	
Mooresville	1,533		Delivered.	.60	.70	.10	
Mount Olive	617	Wilmington	.08	.50	.65	.07	
Raleigh	13,643		Delivered.	.446	.50	.054	
Salem	3,642		Delivered.	.55	.60	.05	
Statesville	3,141	New York City.	Delivered.	.575	.65	.075	Austin Nichols Co. and O. H. Leggett & Co.
Warrenton	836	Petersburg	Delivered.	.589	.669	.08	
Wilmington	20,976		Delivered.	.51	.60	.09	National Salt Co.
Do	20,976		Delivered.	.50	.55	.05	

[1] National Salt Co. [2] Per sack. [3] Possibly dairy salt—1-bushel sack.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

NORTH DAKOTA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Bismarck	3,319	Duluth	Delivered.	$0.804	$0.929	$0.125	
Cooperstown	648	....do	Delivered.	.66	.804	.144	Warehouse and Builders' Co.
Fargo	9,589	St. Paul	Delivered.	.589	.714	.125	
Do	9,589	Duluth	Delivered.	.679	.714	.035	
Do	9,589	....do	Delivered.	.731	.804	.073	United[1] and Michigan Salt Cos.
Grand Forks	7,652		Delivered.	.679	.804	.125	
Hillsboro	1,172	Duluth	Delivered.	.66	.803	.143	
Jamestown	2,853	....do	Delivered.	.66	.75	.089	
Mandan	1,658	....do	Delivered.	.804	.982	.178	United Salt Co.[1]
Mayville	1,106	....do	Delivered.	.70	.803	.103	
Minot	1,277	....do	Delivered.	.621	.803	.182	Warehouse and Builders' Co.
Wahpeton	2,228		Delivered.	.55	.714	.164	

OHIO.[2]

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Akron	42,728		Delivered.	$0.392	$0.446	$0.054	Wadsworth Salt Co.
Alliance	8,974	New York and Cleveland.	Delivered.	.357	.446	.089	Worcester and United Cos.[1]
Antwerp	1,206	Saginaw	Delivered.	.453	.50	.047	
Ashtabula	12,949		Delivered.	.464	.536	.072	United Salt Co.[1]
Barnesville	3,721	Wheeling	?$0.07	.447	.482	(?)	Wadsworth Salt Co.[1]
Bedford	1,486	Cleveland	Delivered.	.429	.447	.018	United Salt Co.[1]
Berea	2,510	....do	Delivered.	.41	.50	.09	Do.
Bluffton	1,783	Toledo	Delivered.	.439	.536	.097	Michigan Salt Assn.
Cadiz	1,755		Delivered.	.446	.536	.09	
Cardington	1,354	Columbus	?.13	.475	.518	(?)	Wadsworth Salt Co.
Carrollton	1,271	Cleveland	?.09	.42	.518	(?)	Do.
Cedarville	1,189	Xenia	?.06	.500	.536	(?)	Worcester Salt Co.
Celina	2,815	Saginaw	Delivered.	.453	.518	.065	Michigan Salt Assn.
Chagrin Falls	1,586	Cleveland	?.06	.429	.482	(?)	United Salt Co.[1]
Cincinnati	325,902	....do	Delivered.	.429	.50	.071	Do.
Circleville	6,991		Delivered.	.482	.536	.054	United Salt Co.[1]
Cleves	1,328	Michigan	Delivered.	.429	.536	.107	
Clyde	2,515	Cleveland	?.053	.429	.50	(?)	Do.
Columbus Grove	1,935	Toledo	?.089	.392	.536	(?)	
Cortland	620	Wadsworth and Cleveland.	?.05	.357	.429	(?)	United and Wadsworth Cos.[1]
Defiance	7,597		Delivered.	.392	.429	.037	
Delta	1,230	Toledo	Delivered.	.41	.50	.09	Worcester Salt Co.
Deshler	1,628		Delivered.	.543	.553	.01	
East Liverpool	16,485	Steubenville	?.075	.50	.571	(?)	Wadsworth Salt Co.
Findlay	17,613	Cleveland	Delivered.	.436	.536	.10	United Salt Co.[1]
Fremont	8,439	Toledo	?.07	.392	.482	(?)	Diamond Crystal Co.
Gallipolis	5,432	Pomeroy	?.035	.41	.446	(?)	
Hamilton	23,914		Delivered.	.46	.50	.04	United Salt Co.[1]
Harrison	1,456	Cincinnati	?.08	.50	.536	(?)	
Hillsboro	4,535		Delivered.	.482	.518	.036	Worcester Salt Co.
Holgate	1,237	Saginaw	Delivered.	.439	.536	.097	Michigan Salt Assn.
Jackson	4,672		Delivered.	.482	.536	.054	
Lancaster	8,991	Pomeroy	?.06	.443	.50	(?)	Excelsior Salt Works.
Leetonia	2,744	Canton	?.06	.392	.482	(?)	Wadsworth Salt Co.

[1] National Salt Co.

[2] Freight rates reported by dealers in this State are questioned. They probably relate to other grades of salt given in the schedules, or an allowance is made by the seller—a common practice. It will be observed that if freight is counted as paid by the dealer no profit appears in many cases.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

OHIO—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Lima	21,723		Delivered.	$0.429	$0.482	$0.053	
London	3,511	New York	Delivered.	.457	.536	.079	
Manchester	2,003	Cincinnati	$0.022	.429	[1]1.00	.549	United Salt Co.[2]
Mansfield	17,640		Delivered.	.446	.536	.09	Wadsworth Salt Co.
Marion	11,862	Saginaw	Delivered.	.446	.50	.054	United Salt Co.[2]
Maumee	1,856	Toledo	?.054	.392	.446	(?)	
Miamisburg	3,941	Saginaw	Delivered.	.393	.464	.071	
Millersburg	1,998		Delivered.	.425	.50	.075	
Monroeville	1,211	Cleveland	Delivered.	.328	.446	.118	United Salt Co.[2]
Mount Gilead	1,528	Newark, Ohio	?.085	.321	.425	(?)	Do.[2]
Mount Vernon	6,633		Delivered.	.429	.50	.071	Ohio Salt Co.
New Comerstown	2,659	Wadsworth, Ohio, and Michigan.	Delivered.	.429	.50	.071	Wadsworth and Michigan Cos.
New London	1,180		Delivered.	.482	.536	.054	
Do	1,180	Cleveland	Delivered.	.375	.429	.054	Wadsworth and United Cos.[2]
New Philadelphia	6,213		Delivered.	.41	.482	.072	Ohio Salt Co.
New Straitsville	2,302	Columbus	?19	.429	.625	(?)	Michigan Salt Ass'n.
Niles	7,468	Youngstown	Delivered.	.429	.50	.071	Ohio Salt Co.
Do	7,468	....do	Delivered.	.429	.464	.035	Do.
New Amherst	1,758		Delivered.	.446	.50	.054	United Salt Co.[2]
New Baltimore	3,561	Cleveland	Delivered.	.446	.536	.09	Do.[2]
Norwalk	7,074		Delivered.	.50	[1]1.00	.50	Wadsworth Salt Co.
Oberlin	4,082	Cleveland	?.085	.393	.429	(?)	United Salt Co.[2]
Oxford	2,009	Saginaw	?.096	.464	.518	(?)	Amer. Salt Ass'n.
Quaker City	878		Delivered.	.446	.518	.072	
Sabina	1,481	Cincinnati	?.036	.425	.607	(?)	
Salineville	2,353	Steubenville	?.08	.482	.625	(?)	Amanca Salt Co.
Sandusky	19,664		Delivered.	.425	.482	.057	Cleveland Salt Co.
Springfield	38,253		Delivered.	.50	.553	.053	United Salt Co.[2]
St. Paris	1,222	Springfield	?.08	.425	.536	(?)	Diamond Crystal Co.
Toledo	131,822		Delivered.	.375	.558	.183	
Do	131,822		Delivered.	.393	.446	.053	
Upper Sandusky	3,355	Saginaw	Delivered.	.455	.536	.081	Michigan Salt Ass'n.
Urbana	6,808	Cleveland	Delivered.	.375	.446	.071	United Salt Co.[2]
Wauseon	2,148	Toledo	?.075	.402	.625	(?)	
Washington C. H.	5,751		Delivered.	.446	.50	.054	
Westerville	1,462	Cleveland	?.057	.454	.518	(?)	Wadsworth Salt Co.
Wilmington	3,613		Delivered.	.457	.50	.043	Do.

OREGON.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Astoria	8,381	San Francisco	Delivered.	$0.737	$1.00	$0.263	Federal Salt Co.
Forest Grove	1,096	Portland	$0.08	.625	.80	.095	Carmen Island Co.
Grants Pass	2,290	Salt Lake City	Delivered.	.525	.65	.125	Salt Lake Co.
Independence	909	San Francisco	Delivered.	.80	.90	.10	American Salt Co.
Junction City	506	Portland	?.30	.703	.90	(?)	Lang & Co.
Oregon City	3,494	....do	.05	[3].30	.375	.025	
Portland	90,426		Delivered.	.80	1.00	.20	Salt Lake Co.
Salem	4,258	Portland	.155	.60	.75	.15	Liverpool and Salt L. Cos.
The Dalles	3,542	....do	Delivered.	.50	1.30	.80	Federal Salt Co.
Woodburn	828	....do	.016	.85	1.2	.35	

[1] Apparently by the single pound.
[2] National Salt Co.
[3] Apparently not ground and probably an earlier purchase.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

PENNSYLVANIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Allegheny	129,896		Delivered.	$0.357	$0.446	$0.089	United Salt Co.
Do	129,896	Pittsburg	Delivered.	.482	.893	.211	
Ashland	6,438		Delivered.	.429	.536	.107	
Auburn	845	Lockhaven	$0.06	.456	.611	.095	
Beaver	2,348		Delivered.	.446	.536	.09	Cleveland Salt Co.
Bennett		Pittsburg	Delivered.	.429	.482	.053	
Bernice			Delivered.	.446	.536	.09	
Boiling Springs			Delivered.	.49	.60	.11	
Bradford	15,029	Cleveland, Ohio	Delivered.	.429	.518	.089	United Salt Co.[1]
Carnegie	7,330	Pittsburg	.06	.50	.625	.065	Penn. Salt Works.
Carrick		do	Delivered.	.429	.517	.088	Wadsworth Salt W'ks
Christiana	828		Delivered.	.557	.643	.086	
Claysville	856	Wheeling	Delivered.	.446	.482	.036	
Clifton Heights	2,330		Delivered.	.464	.625	.161	
Coraopolis	2,555	Pittsburg	Delivered.	.446	.489	.036	
Dauphin	566	Harrisburg	.05	.52	.68	.11	
Dunbar	1,662	Pittsburg	.09	.429	.536	.018	Wadsworth Salt Co.
Dushore	884	Ithaca, N. Y	Delivered.	.521	.536	.015	National Salt Co.
Elklick	2,982	Rockglen, N. Y.	Delivered.	.521	.643	.122	Do.
Emlenton	1,190	Silversprings, N. Y.	Delivered.	.464	.518	.054	Worcester Salt Co.
Falls Creek		Dubois	Delivered.	.446	.536	.09	
Glen Campbell	1,628	Philadelphia	Delivered.	.446	.536	.09	Wadsworth Salt Co.
Greensburg	6,508	Pittsburg	.06	.446	.536	.083	United Salt Co.[1]
Grove City	1,599	Cleveland	Delivered.	.392	.446	.054	
Homer City	570	Allegheny	.071	.393	.536	.072	Union Salt Works.
Huntingdon	6,053		Delivered.	.429	.514	.085	Glen Salt Co.[1]
Irvona	723	Pittsburg	Delivered.	.50	.71	.21	Wyandotte Salt Co., Mich.[1]
Irwin	2,452	do	Delivered.	.457	.571	.114	Penn. Salt Co.
Jeannette	5,865	do	(?) .08	.482	.571	(?)	
Jersey Shore	3,070	New York State.	Delivered.	.486	.536	.05	National Salt Co.
Lancaster	41,459	Cayuga	Delivered.	.428	.50	.072	Do.
Lansdale	2,754	Philadelphia	Delivered.	.425	.50	.075	Worcester Salt Co.
Mahanoy City	13,504		Delivered.	.50	.625	.125	
Manheim	2,019	Lancaster	Delivered.	.429	.50	.071	Do.
Mauchchunk	4,029	Warsaw, N. Y	Delivered.	.428	.555	.127	National Salt Co.
Meadville	10,291		Delivered.	.439	.50	.061	United Salt Co.
Mercer	1,804		Delivered.	.50	1.00	.50	
Midway		Pittsburg	.07	.446	.536	.02	
Moores		Philadelphia	.08	.50	.625	.045	
Mount Carmel	13,179		Delivered.	.50	.607	.107	
New Brighton	6,820	Pittsburg	.065	.447	.536	.024	
Newcastle	28,339	Pittsburg	.08	.482	.571	.009	Pittsburg Salt Co.
Patton	2,651	Pittsburg	Delivered.	.518	.625	.107	
Reynoldsville	3,435	Silverspring	Delivered.	.494	.589	.095	Worcester Salt Co.
Rochester	4,688		Delivered.	.446	.536	.09	United Salt Co.[1]
Schuylkill Haven	3,654	Philadelphia	Delivered.	.40	.80	.40	
Somerset	1,834	Pittsburg	Delivered.	.464	.518	.054	
St. Clair	4,638		Delivered.	.50	.625	.125	
Tarentum	5,472		Delivered.	.429	.536	.107	
Titusville	8,244		Delivered.	.429	.464	.035	Worcester and United[1] Cos.
Towanda	4,663		Delivered.	.439	.50	.061	
Union City	3,104		Delivered.	.446	.482	.036	United[1] and Genesee Cos.
Waterford	767		Delivered.	.375	.464	.089	Worcester Salt Co.
Waynesburg	2,544		Delivered.	.56	.679	.119	
Wellsboro	2,954		Delivered.	.485	.536	.051	National Salt Co.

[1] National Salt Co.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

RHODE ISLAND.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker
Centreville		Providence	$0.05	$0.60	$0.80	$0.15	National Salt Co.
North Tiverton	2,977	do	Delivered.	.606	.714	.108	Worcester Salt Co.
Prudence			Delivered.	.806	.972	.166	
Valley Falls		Pawtucket	Delivered.	.675	1.14	.465	
Warren	5,108	Providence	.053	.643	.893	.20	Worcester Salt Co.

SOUTH CAROLINA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker
Anderson	5,498		Delivered.	$0.625	$0.6[illegible]0	$0.25	National Salt Co.
Beaufort	4,110	New York	?Delivered.	.425	.55	.125	
Columbia	21,108		Delivered.	.55	.65	.10	
Edgefield	1,775		?$0.12	.55	.65	?.10	
Florence	4,647	New York	Delivered.	.60	.65	.05	Ithaca Salt Co.[2]
Greenville	11,860	Richmond	Delivered.	.62	.65	.03	
Mount Pleasant	2,252	Charleston	.10	.48	.65	.07	
Newberry	4,607	do	.122	.47	.65	.058	
Pacolet	365	do	Delivered.	.58	.65	.07	
Pelzer		Richmond	Delivered.	.62	.70	.08	National Salt Co.
Rockhill	5,485		Delivered.	.67	.70	.03	
Spartanburg	11,395		Delivered.	.65	.75	.10	
Walhalla	1,307		Delivered.	.62	.75	.13	

SOUTH DAKOTA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker
Deadwood	3,498	Chicago	Delivered.	$0.910	$0.982	$0.072	Joy, Morton & Co.[2]
Eureka	961	Milwaukee	Delivered.	.571	.714	.143	
Madison	2,550	do	Delivered.	.686	.803	.117	
Sioux Falls	10,266		Delivered.	.575	.643	.068	
Do	10,266		Delivered.	.571	.66	.089	
Spearfish	1,166	Chicago and Hutchinson.	Delivered.	.857	1.00	.143	
Yankton	4,125		Delivered.	.625	.66	.035	

TENNESSEE.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker
Alexandria		Nashville	Delivered.	$0.544	$0.893	$0.349	Wadsworth Salt Co.
Athens	1,849	Chattanooga	$0.16	.453	.666	.053	Do.
Bellbuckle	665	Nashville	Delivered.	.489	.574	.085	Michigan Salt Assn.
Bolivar	1,035	Chicago	Delivered.	.501	.589	.088	
Clarksville	9,431	Louisville	Delivered.	.571	.625	.054	Standard Salt Co.
Columbia	6,052	Nashville	.067	.437	.468	—.036	
Dyersburg	3,647	St. Louis	Delivered.	.447	.510	.063	Michigan Salt Assn.
Jackson	14,511	St. Louis and Detroit.	Delivered.	.568	.625	.057	
Jonesboro	854	Saltville, Va	Delivered.	.586	.666	.08	Mathieson Alkali Works.
Kingston	548	Cincinnati	Delivered.	.466	.566	.10	
Knoxville	32,637	Saltville, Va. and New York State.	Delivered.	.453	.533	.08	National Salt Co.
Do	32,637		Delivered.	.453	.500	.047	Do.
Do	32,637	Wadsworth, Ohio, and Warsaw, N. Y.	Delivered.	.500	.533	.033	Ohio and National Salt Cos.
Lawrenceburg	823	Nashville	(?).31	.510	.536	?.026	
McMinnville	1,980	do	Delivered.	.638	.702	?.064	
Maryville		Knoxville	Delivered.	.533	.600	.067	
Rogersville	1,386	Saltville, Va	Delivered.	.570	.633	.063	Mathieson Alkal Works.
Trenton	2,328	St. Louis	Delivered.	.524	.625	.101	Michigan Salt Assn.

[1] May be doing salt. [2] National Salt Co.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

TEXAS.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Amarillo	1,442	Hutchinson, Kans.	Delivered.	$0.55	$0.60	$0.05	Hutch-Kan. Co.[1]
Bartlett	957	Grand Saline	Delivered.	.589	.625	.036	Lone Star Co.[1]
Beeville		do	Delivered.	.55	.65	.10	Do.
Bowie	2,600		Delivered.	.707	.71	.003	J. F. Ewing, St. Louis.
Bridgeport	900		Delivered.	.457	.517	.06	Texas Salt Co.
Brownsville	6,305		Delivered.	.25	.50	.25	Local.
Bryan	3,589		Delivered.	.55	.65	.10	Lone Star Co.[1]
Caldwell	1,535	Hutchinson, Kans.	Delivered.	.55	.65	.10	
Clarendon		Hutchinson, Kan., and Grand Saline, Tex.	Delivered.	.48	.575	.095	Hutch-Kan.[1] and Lone Star Co.[1]
Clarksville	2,069	Dallas, Tex	Delivered.	.66	.75	.09	Lone Star Salt Co.[1]
Collinsville	666	Denison, Tex	Delivered.	.707	.804	.097	
Columbus	1,824	Grand Saline	Delivered.	.47	.527	.057	Lone Star Co.[1]
Corsicana	9,313	do	Delivered.	.587	.643	.054	Do.
Dallas	42,638		Delivered.	.625	.66	.035	Grand Saline and Lone Star Cos.[1]
Do	42,638		Delivered.	.571	.714	.143	Kansas and Texas S. Co.
Dallas	42,638	Grand Saline	Delivered.	.625	.714	.089	Lone Star Co.[1]
Detroit		Saginaw, Mich	Delivered.	.707	.75	.043	Ewing Salt Assn.
Edna		Dallas	Delivered.	.49	.602	.112	
Ennis	4,919	St. Louis	Delivered.	.714	.804	.090	
Fort Worth	26,688		Delivered.	.625	.679	.054	Lone Star[1] and Hutch-Kan. Cos.[1]
Do	26,688		Delivered.	.489	.66	.181	
Gainesville	7,874		Delivered.	.714	.75	.036	Lone Star[1] and Michigan Salt Works.
Gatesville	1,865		Delivered.	.625	.66	.035	
Georgetown	2,790	Grand Saliue	Delivered.	.485	.575	.09	
Graham	878	Jacksboro	$0.20	.714	.928	.014	Texas Salt Co.
Granbury	1,410	Grand Saline	Delivered.	.625	.666	.041	
Greenville	6,860	do	Delivered.	.643	.75	.107	Grand Saline Co.
Hearne	2,129	Avery Island, La.	Delivered.	.47	.55	.08	Avery Co.
Henrietta	1,614	Michigan, Kansas, and Texas.	Delivered.	.625	.714	.089	
Hico	1,480	Dallas	Delivered.	.536	.589	.053	Lone Star Co.[1]
Huntsville	1,608		Delivered.	.49	.525	.035	
Italy	1,061	Saginaw	Delivered.	.707	.714	.007	Ewing & Co., St. Louis.
Kerrville	1,423	Avery Island, La., Colorado City, Tex.	Delivered.	.44	.475	.035	Avery Co., Ewing, St. Louis.
Ladonia	1,409	Dallas	Delivered.	.625	.714	.089	Lone Star Co.[1]
Lando		do	Delivered.	.55	1.00	.45	Do.
Longview	3,591	do	Delivered.	.58	.65	.70	Do.
Luling	1,349	Grand Saline	?.17	.49	.575	?.085	Do.
McGregor	1,435		Delivered.	.625	.679	.054	
Mexia	2,393	Grand Saline	Delivered.	.692	.75	.058	
Midland		Colorado City, Tex.	Delivered.	.405	.45	.045	Lone Star Co.[1]
Mineral Wells	2,048	Dallas	Delivered.	.589	.625	.036	Texas Co.
Pilotpoint		St. Louis, Mo., and Grand Saline.	Delivered.	.625	.714	.089	Mich. and Texas Cos.
San Antonio	53,321		Delivered.	.50	.625	.125	Lone Star[1] and Avery Cos.

[1] National Salt Co.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

TEXAS—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Sherman	10,243	St Louis, Mo., and Grand Saline.	Delivered.	$0.589	$0.714	$0.125	
Tyler	8,069	Grand Saline	Delivered.	.53	.65	.12	J. F. Ewing, St. Louis.
Do	8,069	.....do	Delivered.	.57	.571	.061	Lone Star Co[1]
Victoria	4,010	Dallas	Delivered.	.475	.575	.10	Do.
Waco	20,686	.....do	Delivered.	.643	.679	.036	Do.
Do	20,686		Delivered.	.589	.66	.081	
Wichita Falls	2,480	Michigan and Grand Saline.	Delivered.	.65	.75	.10	Saginaw and Lone Star Cos.[1]

UTAH.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Lehi	2,719	Salt Lake City	$0.07	$0.75	$0.90	$0.08	Sears Salt Co.
Mount Pleasant	2,372	.....do	.34	.30	.90	.26	Inland Salt Co.
Park City	3,759	.....do	.17	.75	1.00	.11	Royal Curtis Co.
Pleasantgrove	2,460	.....do	.07	.50	.75	.18	
Smithfield	1,494	Ogden	(?)	.50	.65	?2.15	Worcester Salt Co.
Spanish Fork	2,735	Salt Lake City	(?)	.75	1.00	(?)	Sears and Jeremy Salt Co.
Springville	3,422	Nephi, Utah	Delivered.	[2].30	.35	.05	

VERMONT.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Barton Landing	1,050	Silversprings, N. Y.	Delivered.	$0.48	$0.60	$0.12	Worcester Salt Co.
Bellows Falls	4,337	.....do	Delivered.	.543	.943	.40	
Bethel	1,611	.....do	Delivered.	.571	.857	.286	Turk Island.
Bradford	614		Delivered.	.65	.785	.135	
Derbyline	297	New York	Delivered.	.45	.80	.35	Brighton Salt Co.
Hardwick	1,334	Burlington	Delivered.	.45	.60	.15	Worcester Salt Co.
Montpelier	6,266	.....do	.10	.48	.60	.02	
Newport	1,874	New York State	Delivered.	.456	.555	.099	Do.
Northfield	1,508	Burlington	Delivered.	.45	.60	.15	Turks Island.
Randolph	1,540	White River Junction.	Delivered.	.55	.65	.10	Worcester Salt Co.
Royalton	1,427	.....do	Delivered.	.50	.60	.10	Do.
St. Albans	6,239	Springlake	Delivered.	.48	.55	.07	Do.
Do	6,239		Delivered.	.50	.60	.10	Do.
Stowe	500	Silversprings, N. Y.	Delivered.	.40	.50	.10	Do.
Swanton	1,168	Crystalsprings, N. Y.	Delivered.	.50	.60	.10	Do.

VIRGINIA.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Danville	16,520		Delivered.	$0.55	$0.625	$0.075	
Farmville	2,471		Delivered.	.40-.50	.50-.55	.05-.10	United Salt Co.[1]
Hampton	3,441	Norfolk	.06	.394	.515	.061	
Lynchburg	18,891	New York	Delivered.	.491	1.00	.609	
Portsmouth	17,427		Delivered.	.50	.567	.067	National Dairy Co.
Richmond	85,050		Delivered.	.446	.558	.112	
Do	85,050	Ludlowville, N. Y.	Delivered.	.536	.75	.214	Cayuga Lake Co.[1]
Winchester	5,161		Delivered.	.436	.536	.10	

[1] National Salt Co. [2] Local salt.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
WASHINGTON.							
Ballard	4,568	Seattle	$0.03	[1]$0.425	$0.50	$0.045	
Centralia	1,600	Portland	.20	.50	.90	.20	
Cheney	781	Spokane	.10	1.12	1.30	.08	Inland Crystal Co.
Davenport	1,000	Seattle	Delivered.	1.06	1.40	.34	English.
Ellensburg	1,737	do	.25	[1].425	.80	.125	Do.
Hoquiam	2,600	do	Delivered.	.712	.70	.012	National Salt Co.
Ilwaco	584	Portland	.175	.75	.85	—.075	English.
Montesano	1,194	San Francisco	.10	[1].30	.40	......	Higgins.
Olympia	4,082	do	.15	.60	.75	......	
Port Townsend	3,443	do	.175	.975	1.30	.15	Federal Salt Co.
Snohomish	2,101	Seattle	.06	.725	.90	.115	
Spokane	36,848		Delivered.	1.05	1.20	.15	Do.
Do	36,848	Salt Lake	Delivered.	1.02	1.30	.28	
Tacoma	37,714		Delivered.	.75	.90	.15	
WEST VIRGINIA.							
Weston	2,560		Delivered.	$0.692	$0.736	$0.044	Wadsworth Salt Co.
WISCONSIN.[2]							
Appleton	15,085		Delivered.	$0.429	$0.464	$0.035	National Salt Co.
Arcadia	1,273	Greenbay	Delivered.	.518	.554	.036	
Barronelt		Ashland	Delivered.	[3].321	.447	.126	Ashland Co.
Beloit	10,436		Delivered.	.482	.536	.054	Beloit Lumber Co.
Berlin	4,489		Delivered.	.482	.500	.018	
Burlington	2,526		Delivered.	.482	.536	.054	
Cedarburg	1,626	Milwaukee	?$0.09	.464	.482	?.018	National Salt Co.
Chilton	1,460	do	Delivered.	.382	.428	.046	L. J. Pettit & Co.
Darlington	1,808	Chicago	?.20	.463	.500	?.037	Sprague, Warner & Co.
Elkhorn	1,731		Delivered.	.500	.536	.036	Worcester Salt Co.
Greenbay	18,684		Delivered.	.500	.571	.071	
Hartford	1,632	Milwaukee	Delivered.	.463	.482	.019	
Horicon	1,376		Delivered.	.536	.571	.035	Michigan Salt Co.
Hudson	3,259	Duluth	Delivered.	.500	.536	.036	
Janesville	13,185		Delivered.	.482	.518	.036	
Kenosha	11,606	Chicago	.014	.447	.500	?.053	
Lancaster	2,403	Milwaukee	Delivered.	.518	.536	.018	L. J. Pettit & Co.
Madison	19,164		Delivered.	.536	.589	.953	Brand & Hardin, Saginaw.
Marinette	16,195		Delivered.	.357	.447	.090	
Menominee	5,655	Milwaukee	Delivered.	.500	.571	.071	National Salt Co.
Milwaukee	285,315		Delivered.	.447	.463	.016	
Mineralpoint	2,991	Milwaukee	Delivered.	.510	.553	.043	L. J. Pettit & Co.
Necedah	1,209	do	Delivered.	.464	.536	.072	Do.
Oconto	5,646	Greenbay	.043	[3].257	.393	.093	Hulburt.
Onalaska	1,368	Milwaukee	Delivered.	.518	.571	.053	
Prairie du Chien	3,232	do	Delivered.	.485	.536	.051	
Princeton	1,202	Sheboygan	Delivered.	.393	.428	.035	
Reedsburg	2,225	Milwaukee	Delivered.	.463	.500	.037	National Salt Co.
Richland Center	2,321	do	Delivered.	.482	.518	.036	L. J. Pettit &Co.
Ripon	3,818	New York	Delivered.	.482	.500	.018	
River Falls	2,008	St. Paul	?.14	.463	.500	(?)	Diamond Crystal Co.
Sheboygan	1,301		Delivered.	.447	.500	.053	
Sturgeon Bay	3,372	Greenbay	?.10	.447	.482	?.065	Do.
Wausau	12,354		Delivered.	.500	.500	......	Michigan Salt Co.
West Superior			Delivered.	.500	.571	.071	

[1] Several dealers state that a very great increase in price had occurred within a few months. Low prices are probably on earlier purchases.

[2] Freight rates in this State questioned. See p. 775.

[3] Probably an earlier purchase.

TABLE IV.—*Wholesale and retail prices of common farm salt*—Continued.

WYOMING.

Town.	Population, 1900.	Shipping point, when stated.	Freight rate, when paid by dealer, per cwt.	Wholesale price per cwt.	Retail price per cwt.	Excess above wholesale price, per cwt.	Maker.
Carbon	534	Salt Lake City	Delivered.	$0.545	$0.65	$0.105	Inland Salt Co.
Cheyenne	14,087	Hutchinson	Delivered.	.536	.679	.143	Hutch.-Kan. Salt Co.[1]
Laramie	8,207	Salt Lake City	Delivered.	.75	.90	.15	Inland Crystal Co.
Rock Springs	4,363	do	Delivered.	.72	.75	.03	Do.
Sheridan	1,559	Michigan	Delivered.	.75	.90	.15	Joy, Morton & Co.[1]

[1] National Salt Co.

SECURITIES OF INDUSTRIAL COMBINATIONS AND RAILROADS

A report prepared under the direction of the Industrial Commission by Jeremiah W. Jenks, expert agent, with the assistance of E. W. Kemmerer and J. A. Tillinghast.

Within the last few years the securities of the larger industrial combinations have absorbed the investment of so much capital that a somewhat careful study of these securities has seemed advisable. Generally speaking, the so-called industrials have been favorites in stock speculation, though the greater portion of the capital in their original securities had been conservatively invested and is still held by the same people. To measure as carefully as possible by statistical methods, especially the use of charts, the stock market estimates of these securities during the period before the operations of the new companies were or could become well known, and thus to show how speculation thrives upon mystery and to emphasize the importance of legally required publicity, is the object of this presentation.

At the same time it has seemed proper to present a statement of the market courses of some of the principal railroad securities—many of them for a longer period—not for comparison, for it would be obviously unfair to compare new securities and experimental conditions with old securities and settled conditions, but rather to show the effect of natural causes and of legislative or other public action upon all securities, and to show how any new movement, like the "community of interest" plan of consolidation, immediately causes wide fluctuations in hitherto comparatively steady stocks.

The charts show the weekly sales and the highest and lowest prices obtained during the week of twenty-three of the leading industrial stocks on the New York market, with corresponding figures for the sales and prices of the securities of eleven railroads. To make the comparison as direct as possible, charts of these fluctuations in prices and sales have been made, in order that the eye may readily catch the situation at any specific date.

LISTING OF STOCKS.

Before stocks of any company are offered for sale upon the exchange either as listed or unlisted securities, it is necessary that the company make a statement of its organization to the proper committee of the exchange. Regularly statements regarding the amount of stock authorized, the amount actually issued, together with the general plan of organization of the company, the nature, and, to a certain degree, the extent of the properties owned by the company, the nature of any obligations under which the company may have placed itself, and other similar information is thus furnished to the exchange and indirectly to investors. Such information, however, is to a considerable extent formal and the report of the committee in favor of admission to the exchange affords slight security regarding the actual values of the proper-

ared with the amount of stock issued, beyond what may appear from eports of appraisers or such other information as the board of directors may sh.

INCREASE OF SECURITIES ON THE MARKET.

During the last two or three years many comments have been made regarding the very great increase in the capitalization of industrial properties. It seems to have been assumed by many that this was some evidence of a great increase in the actual capital invested in manufacturing interests. Others seem to have thought that the capitalization was purely a paper capitalization without a sufficient basis of actual values. It is important to see somewhat accurately just what these newly-formed combinations with their large capitalizations signify in the field of industrial investment.

If a new industrial combination in the form of a joint stock corporation is made up either by individuals or partnerships, this signifies, from the economic point of view, that a certain amount of property which was formerly held in the hands of a comparatively few individuals is, under the corporation, represented by stock certificates which may readily be transferred from hand to hand, and the property becomes thus capitalized for investment by the general public. There is really an addition to the capital of the country held open for investment, although not of necessity any addition to the actual manufacturing capital of the country, the tangible means of production.

If, as is frequently the case, when an individual combination is formed, the constituent members have previously existed in the form of corporations with their stocks purchasable by the general public, the new combination may buy up with its stocks the separate plants of the constituent companies. Those companies may then dissolve and their stocks are removed from the market. It may be that the total amount of stock available for investment by the general public has not been changed. That which formerly existed as the stocks of the constituent companies has simply been replaced by the stock of the new combination. Of course if, in the transfer of stocks, it has been thought best to increase the total capitalization on account of added benefits which it is presumed might come from the combination, or from less worthy reasons, the capitalization has been increased by the difference between these total amounts, but no more. The actual productive capital in distinction from the capitalization is not increased at all. This assumes that, after the combination has been effected, the various constituent companies are dissolved as separate organizations.

The third form of combination, and the form which has been taken by several of the largest corporations, is somewhat different and apparently involves a decided increase in capitalization. For example, the Federal Steel Company, the Distilling Company of America, the United States Steel Corporation, were each of them formed by the union of several stock corporations previously existing. A new central stock company was formed whose stocks were exchanged, in an agreed-upon ratio, for those of the separate companies, and the central corporation became the owner of practically all of the stocks of its constituent companies. Those companies, however, remained in existence.

In these cases, of course, the total amount of stock was practically doubled; but, again, the amount of stock available for investment by the general public was increased only to a slight extent, inasmuch as the central corporation bought up substantially all of the stock of the different companies and held it in its treasury, not putting it upon the general market. When, therefore, we read of the very great increase in capitalization by combinations during the last years, running up to $6,000,000,000 or $10,000,000,000, we may readily see that there is often a misunderstanding regarding the significance of these issues. If, through the combination, as

rge an amount of shares is withdrawn from the market as is put on the market, e general investing public is little affected thereby. If property formerly owned y individuals and partnerships is made available to the public by being put into e form of corporations, so far as the process is financially a sound one, the range of nvestments has increased.

INFLUENCES AFFECTING SALES AND PRICES.

General causes.—An examination of the charts will show that the volume of e sales of stocks of different companies varies greatly at different times. If the ifferent charts are compared carefully, one with the other, it will generally be seen hat the volume of sales in the different companies is likely to increase or decrease at bout the same time, although there will frequently be separate fluctuations for indiidual corporations. This signifies, what is commonly understood by business men, hat there are certain general causes affecting the condition of the entire market which are likely to affect the number of sales made and the prices of all securities. There are also, on the other hand, in the case of each individual company special nfluences which tend to affect its securities with little reference to others on the narket.

Causes which affect the prices of stocks naturally affect their sales. Favorable onditions which tend to advance prices of securities will, in most cases, be accompanied by increased sales; while unfavorable conditions, although depressing prices, may readily increase the number of sales of stocks.

The leading general influences affecting the stock market are so familiar as scarcely to need mention. Aside from the state of prosperity or depression in the business of the country as a whole, favorable or unfavorable business conditions in particular sections of the country, or in particular branches of industry, naturally affect greatly the stocks of corporations whose business depends upon those conditions. The sales and prices of the securities of railroads which especially handle the grain crop vary greatly with agricultural conditions. Similarly the securities of industrial corporations are naturally influenced greatly by conditions which increase or decrease the demand for their products. Thus the greatly increased demand for steel rails and other steel products in 1899 increased the sales of the securities of the various iron and steel corporations and raised their price; while the report of unfavorable conditions in the market in April, 1900, especially in connection with the American Steel and Wire Company, also increased the sales of these stocks while depressing their price. Whether reports regarding the conditions of business are true or false makes comparatively little difference for the time being in the effect on securities, so long as they are believed by the holders or would-be buyers.

Political conditions, especially when changes in legislation or policy are likely to occur which will affect business, exercise a marked influence on the stock market. Thus, it is quite generally true that, previous to a Presidential election or even a Congressional election, the stock market becomes unusually sensitive, either because investors fear unfavorable changes or hope for better conditions of business. The fear among capitalists that a change in the money standard might be made, led to a very sharp decline in the prices of stocks, both of railroads and of industrial corporations, in 1893, while the same effect was shown in a slighter degree in 1896. Prospective tariff legislation has at times affected the general stock market favorably or unfavorably, while its influence is still more conspicuous upon the stocks of certain special companies whose products will be particularly affected by tariff changes. Proposed changes in the tariff on refined sugar have greatly influenced the sales and prices of the stocks of the American Sugar Refining Company. The National Lead Company affords another example, and an examination of the charts at periods of proposed tariff legislation will show still other instances. It is, of course, well

known that an outbreak of war, or the rumor of one, makes its influence felt in depressing the prices of stocks, while the coming of peace after war expenditures has usually the opposite effect. Still other examples of influences of a general nature affecting sales and prices of stocks may be readily called to mind.

Another influence, general in its effect on stocks but often purely local and temporary, is the condition of the money market. If, for any reason whatever, the rate of interest for call loans is high, it is likely to lead to increased sales of stocks for purposes of liquidation. If the cause of the higher money market is external, there is likely also to be from other individuals a lessened demand for stocks. On the other hand, it is possible that the cause of the increased rate may be in itself purely local and caused by the very great demand for stocks. In either case there is likely to be, to a certain extent, an increase of sales, but in the first the tendency is toward lower prices and in the latter toward higher prices.

Special causes.—Examples may be given of certain special causes affecting chiefly individual companies.

Attention has already been called to the sharp break in the price of American Steel and Wire stocks in April, 1900, with the corresponding very great increase in sales.

The immediate cause of this was something, of course, that affected particularly only that one company—the stoppage of the mills and the report that there had been a great falling off in the demand for the goods. This report regarding that individual company, while affecting its stocks most, was nevertheless an influence toward weakening the stocks of many other industrial companies, especially those engaged in the same line of manufacture.

The chart of the American Malting Company shows, early in 1900, the effect of alleged injudicious management and of rumors of conditions even of bankruptcy which affected both the prices and the sales of stocks.

In several instances in connection with the history of the American Tobacco Company rumors of a change in the internal-revenue tax on tobacco, rumors of probable consolidations with competing companies, the action of Government officials in the direction of threats of legal attacks upon the company, and other causes of a similar nature, are seen to have lead to very greatly increased sales, as well as to somewhat extreme fluctuations of prices.

The United States Rubber Company shows, both in the extent of sales of stocks and in the prices, similar fluctuations, resulting from proposed consolidations with other companies, and particularly, perhaps, from actual sales of goods and prospective changes in the condition of business due to unfavorable seasons.

Very few facts indeed regarding the methods of promotion of the industrials have been made public. Few people, excepting those connected with the management, are able to get an accurate knowledge of the actual values of the properties owned by any one of the industrial companies, or even of their exact earnings. Speculative cliques apparently not infrequently have been connected with the management of the companies themselves, so that to them alone was available any knowledge regarding the actual conditions of the business. In many instances the work of these inside cliques is clearly noticeable in the charts. In March, 1894, for example, a very noteworthy movement in the price of sugar stocks could be ascribed by the financial papers only to manipulation by the insiders. Other instances in that same company, in the American Tobacco Company, in the Cotton Oil Company, may be found by special examination of the charts. Soon after the formation of the International Silver Company, many of the leading stockholders were said to have placed their stock into a pool whose managers agreed to sell it for not less than 30 before a certain fixed date. Before that time buying and selling among themselves by the pool managers kept the prices up to from 30 to 37, without, however, convincing the public that the stocks were a good subject for investment. On the termination of the pool there was a sudden drop in prices, so that within a comparatively few days the stock

sold for only 11 and afterwards declined still further. The cooperation of the inside manipulators seems to be shown by the holding of the price so high until the end of the agreed upon period. The weakness, however, in that special case was caused by the fact that at the date fixed, according to the best accounts available, the former holders had not succeeded in actually lessening their holdings at all.[1]

EARNINGS.

The relative sensitiveness of industrial stocks as regards both sales and prices, comes naturally enough from the facts that as yet they are comparatively little known to investors; that many of them, because they were new, have been put upon the market largely for speculative purposes in the first instance; that, as yet they have not as a rule been tested by a period of depression with the consequent liquidation and reorganization, and that the methods of conducting the business of industrials is more secret than those in the management of the railroads.

So far as earnings go as a basis for price making, the industrials for the last year or two compare very favorably indeed with the railroads. In his testimony before the Industrial Commission Mr. Charles R. Flint has made a comparison for the year 1900 of the earnings of 47 of the more prominent industrials with those of 37 railroads. This comparison shows on the average an earning of 13.6 per cent on the market value of the industrial stocks and of 7.44 per cent on the par value of the total capitalization; to be compared with 4.35 per cent in the case of the railroads on both the market value and the par of total capitalization. From these figures it would be expected, other things equal, that the prices of industrial stocks would stand far higher on the market than those of railroads. We may, however, find instances of industrials paying dividends of from 7 to 8 per cent on their stocks which can be bought for less than par, while railroad securities paying a similar rate of dividends would sell for nearly or quite 200.

THE CHARTS.

In each of the charts representing the securities of industrial combinations or of railroads, the highest prices of preferred stock, in case such stock has been issued, are represented from week to week by a heavy continuous line, while the lowest prices of preferred stock are represented by a heavy broken line. The highest price of common stock is represented by a lighter continuous line, and the lowest price by a lighter broken line. The lines are named also on each chart to make clear to what they refer. Where a single line only is given, only one form of stock, common stock, exists. Of necessity the base lines of the scales of the prices of stocks have been made somewhat different in different cases, since the general range of prices in the case of some corporations is so much higher than in the case of others that the fluctuations of all could not be clearly represented on the same basis. The distance between the lines representing the prices is the same in each case.

The number of shares of preferred stock sold each week is represented by a solid vertical line or column, and the number of shares of common stock by an open column with diagonal hatching. In cases where only one kind of stock exists, the columns representing weekly sales are solid. The sales, both of common and preferred stock, are represented on the same base for each week. Ordinarily the sales of common stock are much larger than those of preferred stock, so that the lighter line representing them extends above the heavy line. In such case, however, the amount of sales is represented by the entire distance from the foot of the diagram to the top of the lighter column. In some instances the sales of preferred stock exceed those of common stock, when an arrangement the reverse of that just indicated is necessary. In a few cases the sales during particular periods are so great as to reach

[1] Vol. I, pp. 1058, 1061, 1070.

beyond the top of the chart. Such figures are either indicated by doubling the and bringing them back down from the top of the chart, or by printing the f reached at the top of the chart. The scales for the amount of sales are neces very different in case of different companies, since otherwise a clear indicat the sharpness of the variations would not be practicable. The scales are indi on each diagram.

With the charts printed is given a brief statement of the organization of company and a compact account of the reasons for the leading fluctuations appear. The reasons are taken mostly from the Commercial and Financial Chro though in special cases there are other sources of information. Of course, m the facts exhibited have been known to individuals before, but the range o tuations and sales as shown is very striking; and the charts will reward detailed by any one interested in the subject. No such exhibit, it is thought, has made a study possible heretofore.

SECURITIES OF INDUSTRIAL CORPORATIONS.

THE IRON AND STEEL GROUP.

What is commonly known among stock-exchange circles as the "iron and group" consists of the following companies. Their dates of incorporation amounts of preferred and common stock are given.

All of these corporations, except the Pressed Steel Car Company, entere United States Steel Company in February and March, 1901, and their stocks withdrawn from the general market, practically all of them being bought up b new combination. The United States Steel Company also took in at the outs Carnegie Company and the American Sheet Steel Company, which are not inc in the diagrams. Later the American Bridge Company and Lake Superior Co dated Iron Mines were also taken over by the United States Steel Corporation. latter issued $304,000,000 worth of bonds in exchange for bonds and part of the of the Carnegie Company, while up to September, 1901, it had issued $457,581, preferred stock and $463,567,019 of common stock.

American Steel and Wire Company.—Incorporated under the laws of New Je acquired control of a number of companies either by direct ownership or posse of not less than a majority of the stock authorized in each case. Authorized s $50,000,000 of common and $40,000,000 of 7 per cent cumulative preferred; outs ing on February 1, 1899, $47,100,000 of common and $38,150,000 of preferred. earnings of the companies consolidated were the year previous sufficient to pay cent on preferred and 3½ per cent on common.

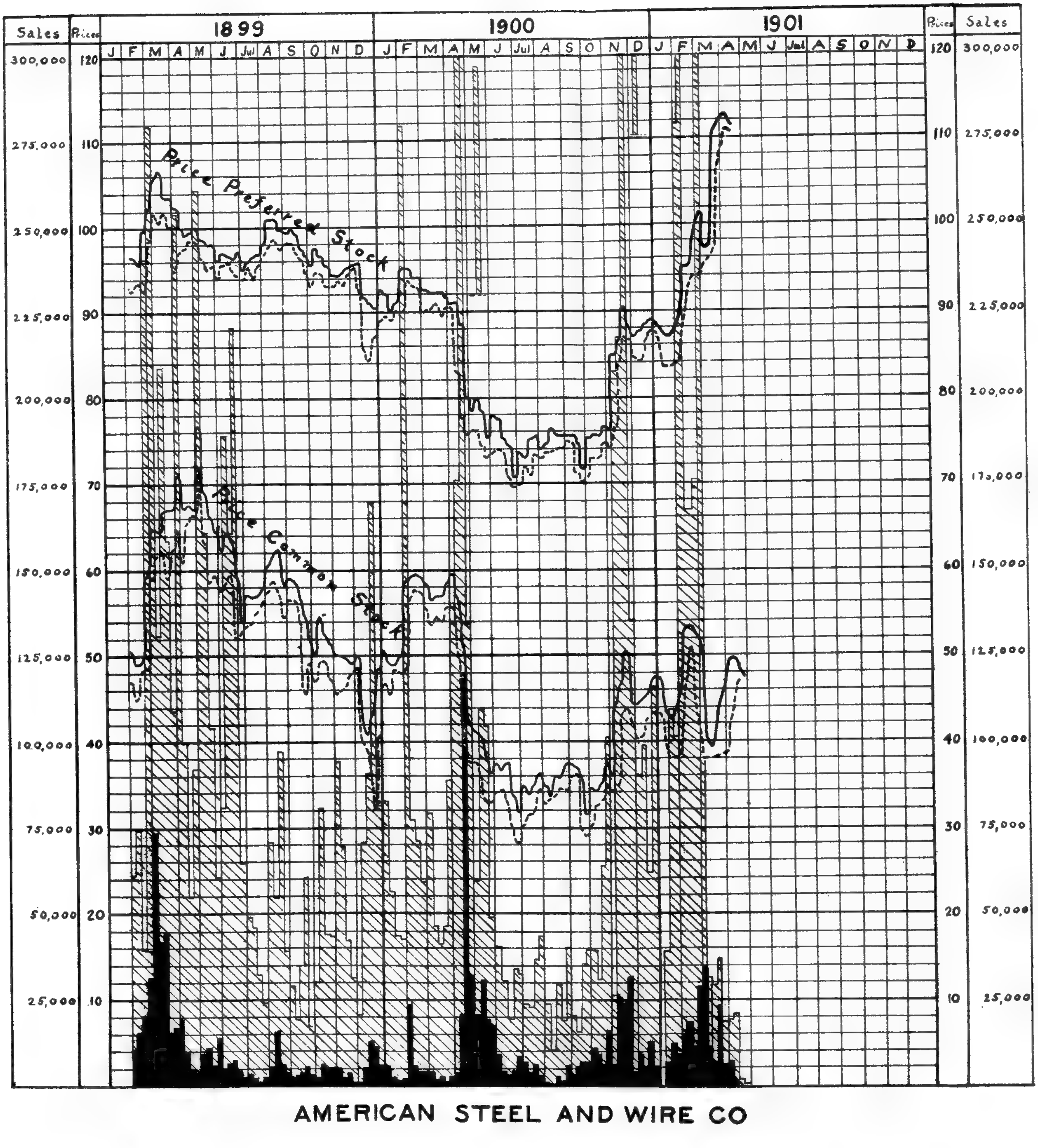
American Tin Plate Company.—Incorporated December 15, 1898; consolidat per cent of all the tin-plate mills in the United States. Stock authorized, $30,0(of common and $20,000,000 of 7 per cent cumulative preferred; outstanding $46,32

Pressed Steel Car Company.—Incorporated in New Jersey January 13, 1899 a practical monopoly of the business; capacity is about 100 of the largest cars pe Stock, $12,500,000 common and $12,500,000 of 7 per cent cumulative preferre outstanding.

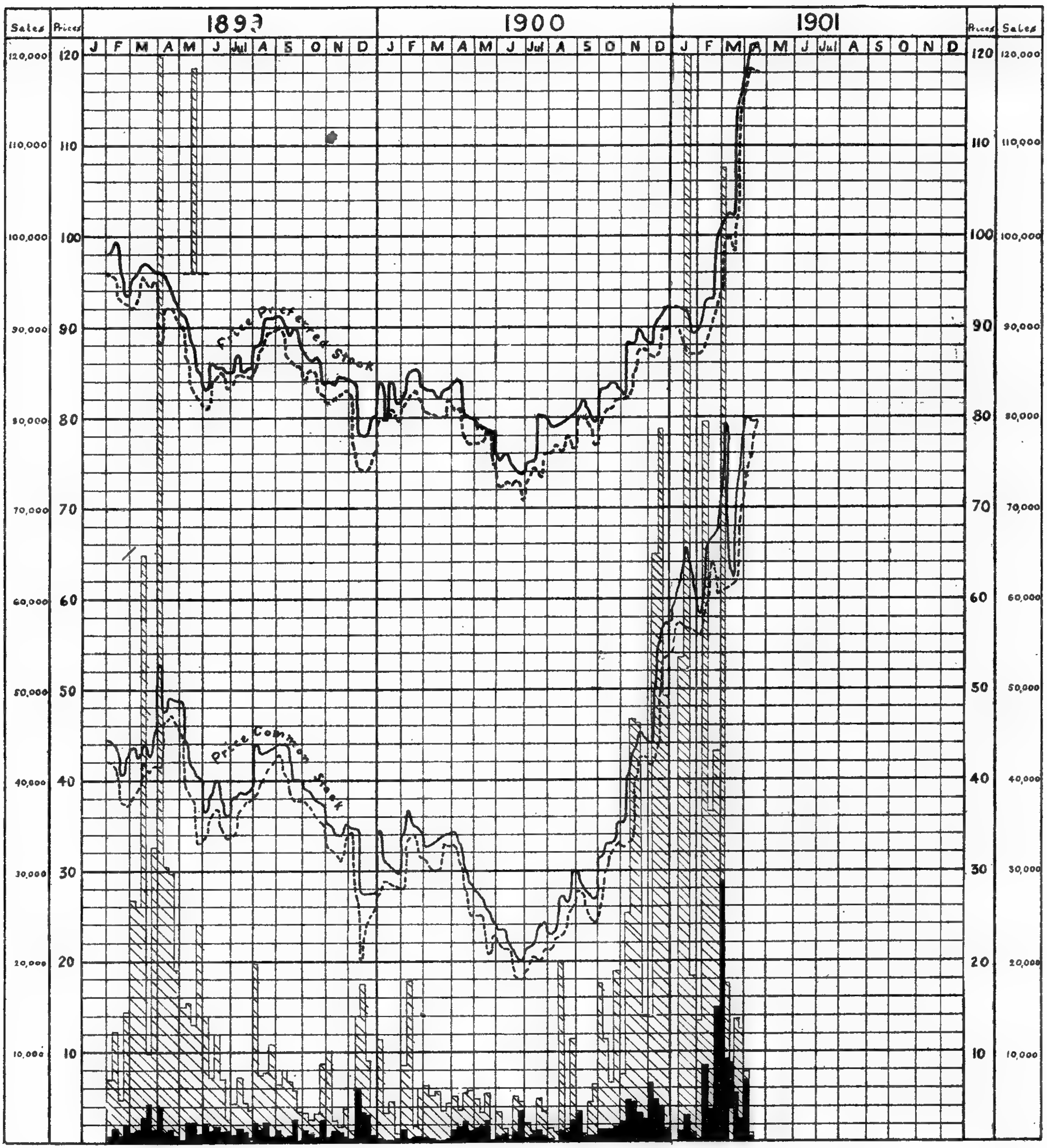
National Steel Company.—Incorporated in New Jersey February 27, 1899; mated annual capacity in tin-plate bars, sheet bars, and steel billets 1,800,000 and of its blast furnaces, 1,600,000 tons. Stock, $32,000,000 of common and $27 000 of 7 per cent cumulative preferred (as to dividends and assets), all outstan

American Steel Hoop Company.—Incorporated in New Jersey April 14, annual product, 700,000 tons of finished articles and 200,000 tons of pig iron. S $19,000,000 of common and $14,000,000 of preferred, all outstanding.

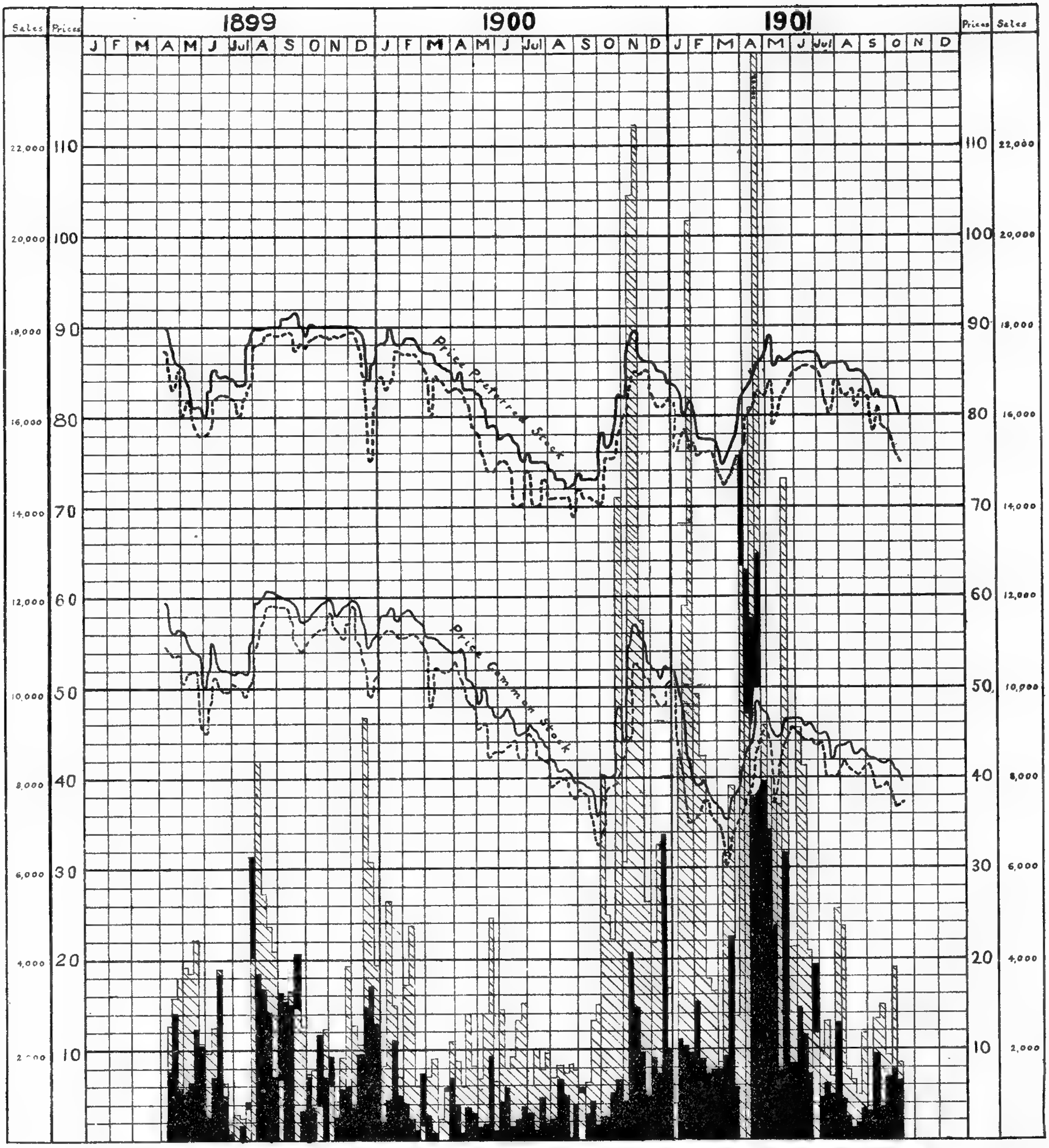
National Tube Company.—Transitionally the United States Tube Company



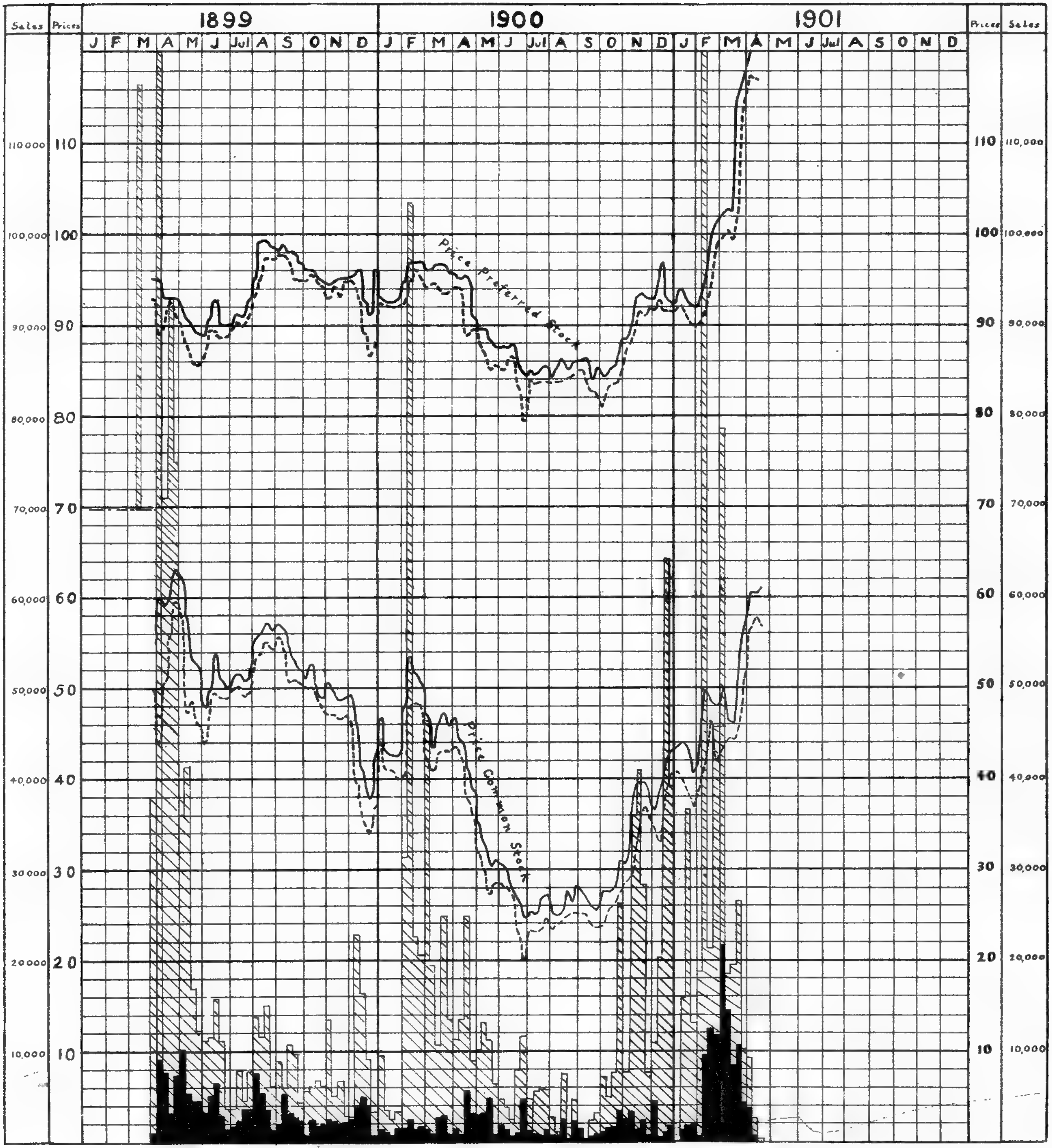
AMERICAN STEEL AND WIRE CO



AMERICAN TIN PLATE CO



PRESSED STEEL CAR



NATIONAL STEEL

amended charter was filed in New Jersey June 27, 1899; is a consolidation of all leading wrought-iron pipe and tube manufacturers, and represents 90 per cent of all the business in the country; aggregate annual output 1,100,000 tons. Stock, $40,000,000 common and $40,000,000 of 7 per cent cumulative preferred.

FEDERAL STEEL COMPANY.—Incorporated in New Jersey September 9, 1898, with liberal powers; consolidation of the Illinois Steel Company, the Minnesota Iron Company, and the Elgin, Joliet, and Eastern Railroad, also owns entire stock of the Lorain Steel Company and the Johnson Company. Authorized stock, $100,000,000 each of common and preferred; stock outstanding, $46,484,000 common and $53,260,000 of 6 per cent noncumulative preferred.

The enormous aggregate stock of these seven companies was all floated within a period of less than a year, principally during the first half of 1899, but under three separate managements. Naturally, whatever general conditions of all industries or of the iron or steel industries affected any one of them were apt to influence all alike, and the charts show clearly that such was the fact. Furthermore, in the minds of the stock-buying public, any specific news, whether favorable or unfavorable, regarding one of the group, tended to advance or depress the stocks of all, even though the conditions did not directly affect the prosperity of the other companies.

Upon examination and comparison of the charts, we find that both the common and preferred stocks of all the companies in the group exhibit coincident movement, in general, throughout the period under review. At times the movements are referable to general causes, quite external to the iron and steel business, and again their cause is found to be largely arising out of conditions in that business itself.

First of all, a period of higher stock prices, accompanied by much larger sales than the average in both common and preferred stocks, is observable, ranging from some time in February till April, 1899. This was the time when the floating of several of these great iron and steel companies was taking place, as well as of other industrial enterprises. The advance in prices was based upon the bright outlook for business of all kinds after the close of the war with Spain and the elections in November preceding, but especially, perhaps, upon the vast developments taking place in our home and foreign commerce. The stock market was buoyant, the demand for stocks for investment by the outside public was strong and constant, and the industrials were a novelty attracting much attention, pushed, as they were, by all the arts of promoters. Under such conditions prices ruled high for a time, and transactions on the stock exchange were enormous in the aggregate. Meanwhile, as regards the iron and steel companies specifically, their business appeared prosperous and their outlook remarkably hopeful, so that their stocks were bought freely at good prices. According to a statement by the president of the Federal Steel Company, the demand for steel rails, for instance, was unparalleled.

But the almost inevitable result soon followed. Speculation was overdone. The enormous activity on the market had involved an immense amount of borrowing and lending, of which an ever increasing portion had been based upon industrial stocks as collateral. By about the middle of April, matters had reached a point where cautious, conservative men began to contract operations, and money lenders commenced discriminating against industrial stocks as collateral, which of course tended to discredit them and arouse fears in connection with them. Immediately the more timid endeavored to unload and contract their holdings of industrial shares, and the consequence was that by May heavy declines had set in and prices descended to lower levels. A tightening of the money market just at the time also helped to precipitate the downward movement.

Here it is obvious that general causes are sufficient to account for the movement in question, and as the iron and steel business continued good, with no news given out of a discouraging character, we may conclude that special inside matters had little or nothing to do it.

On referring again to the charts, a pretty general recovery to some degree is seer to have been enjoyed by the whole group during the third quarter of the yea (July–September). The market generally became much strengthened and more hopeful during July as the result of good reports from the corn and wheat crop of the country. During August, the crop promise continued favorable, money wa easier, and the industrial outlook became distinctly brighter. The reports of expand ing railway earnings came in as a specially stimulating factor. While there was n news as to the iron and steel companies specifically, they naturally benefited by th generally improved prospects, and their stocks recovered strength proportionatel and became somewhat more active on the market.

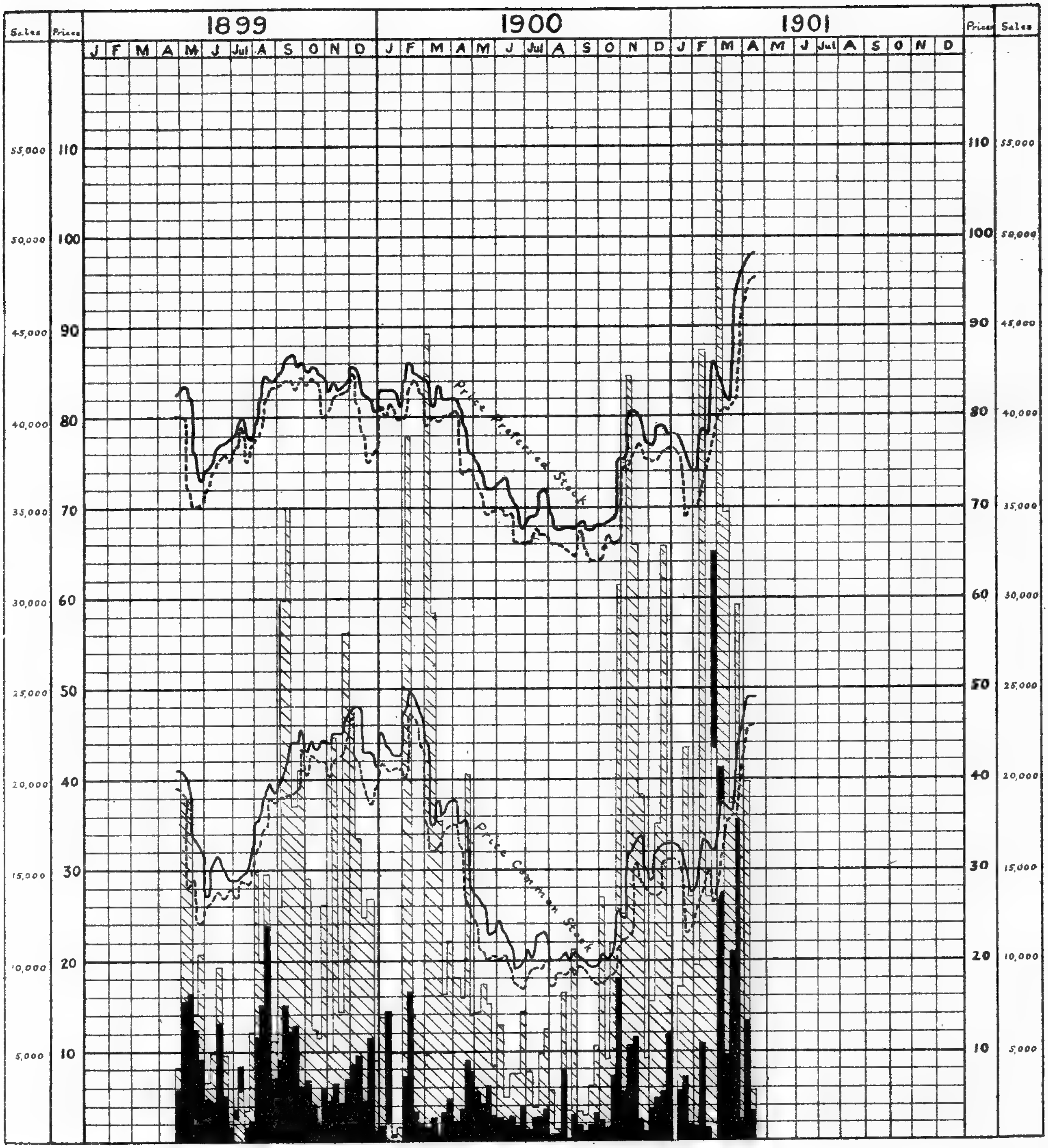
Beginning sooner or later in September, however, a notable decline in prices se in, and continued almost without cessation till very near or quite the close of 1899 Inasmuch as there was no special news from the "inside" as to the iron and stee prospects, and other stocks with hardly an exception suffered more or less declin during the period in question, this event must be explained by general causes. No was there any dearth of forces tending to depress the stock exchange. The gatherin war cloud in South Africa, with the actual outbreak of hostilities in October, the dis turbed condition of affairs in Europe as a result of this, the strained financial situa tion there, indicated, for example, by a rise twice in one week of the Bank of England' discount rate (in October), and leading to a tight money market everywhere, al following fast upon the leaking out of information regarding bad and unscrupulou management in at least one of the industrial companies (see American Malting Com pany), led to demoralization of the stock market and a panicky feeling. This finall culminated, on December 18, in the severest panic known for years. Stocks of al kinds, good, bad, or indifferent, were thrown upon the market in feverish haste, an prices in every direction reached the lowest level of the year.

Thus the penalty was paid for overdoing the movement to float industrial stocks o the market during 1899, and for certain illegitimate attempts to keep up prices c stock by declaring dividends never really earned (as had been done by the America Molding Company), and other equally dishonest deceptions of the public. Suc deceptions were the more easy to practice by reason of the secrecy maintained b many of the industrial companies regarding the inside condition of their affairs, an the impossibility of securing the legitimate information to which investors in thei stocks would seem to have been entitled, if not the general public. In marked cor trast with this is the exhibit of the United States Steel Corporation in the autumn c 1901, which, it is hoped, marks the beginning of an era of solidity and accountabilit for all of the well-founded industrials.

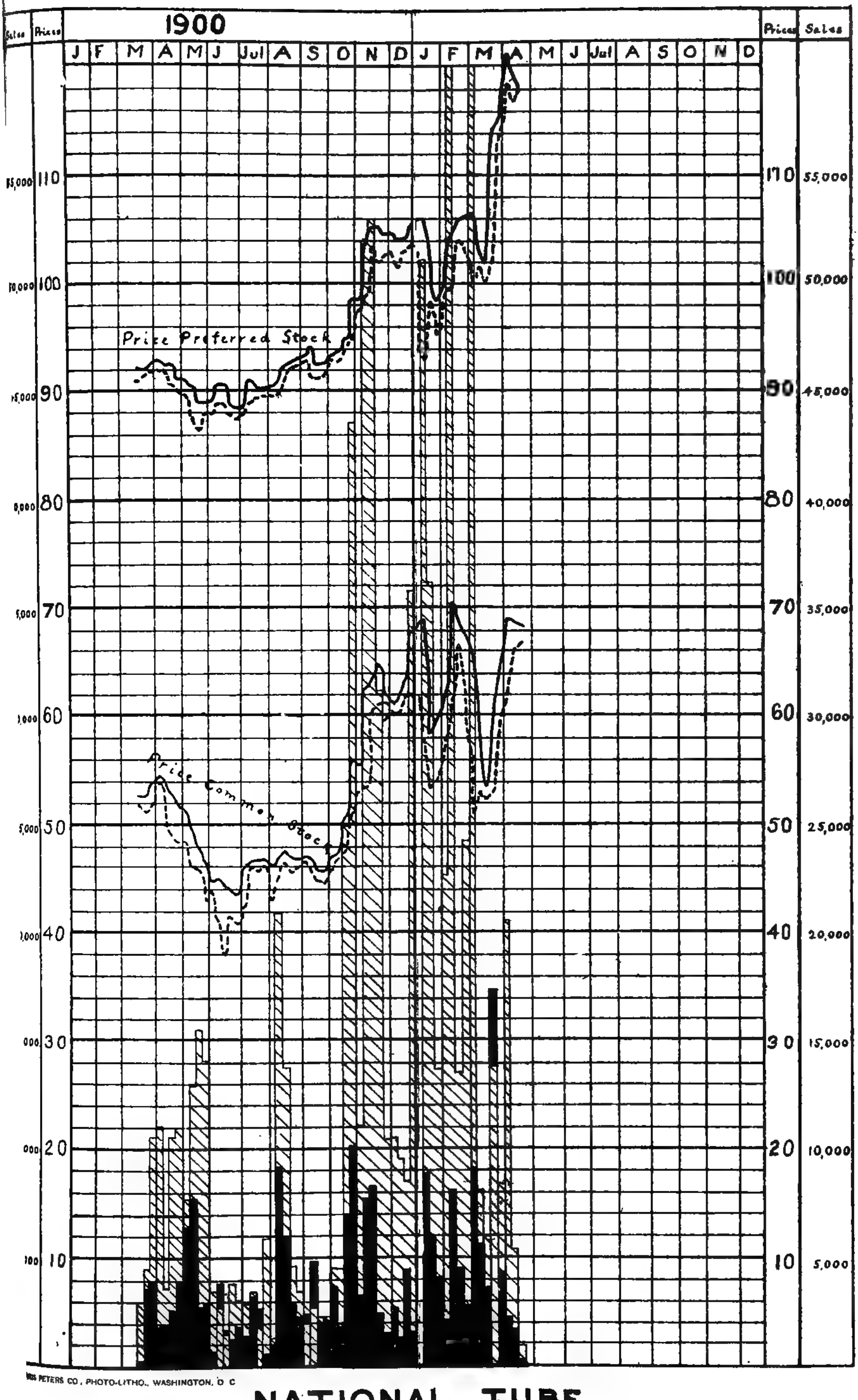
The panic once over, there came inevitably some recovery of prices, with th gradual restoration of normal conditions; but the blow had been a severe and costl one, and even the iron and steel stocks, though the business behind them had ever appearance of a healthy and prosperous condition, did not regain by a distinct margi the average level of prices for 1899. The public was slow in gathering fresh conf dence in the soundness and value of industrial securities.

Just as matters seemed ripe, however, for an improvement in the value of iro and steel stocks, based upon apparently prosperous trade conditions in the ea spring of 1900, there came an unexpected blow in the action of the American Ste and Wire Company. On April 16 it was announced that a number of mills belon ing to that company were to be shut down. At the same time an interview with th chairman of the company was published, giving out gloomy prognostications as t the prospects for the iron and steel trade. The effect upon all the iron and ste stocks was immediate and great. Reference to the chart shows for all members the group a rapid and heavy decline in prices of stock, lasting till midsumme before a turn for the better appeared.

Commenting retrospectively upon this state of things during the middle of 1900, tl

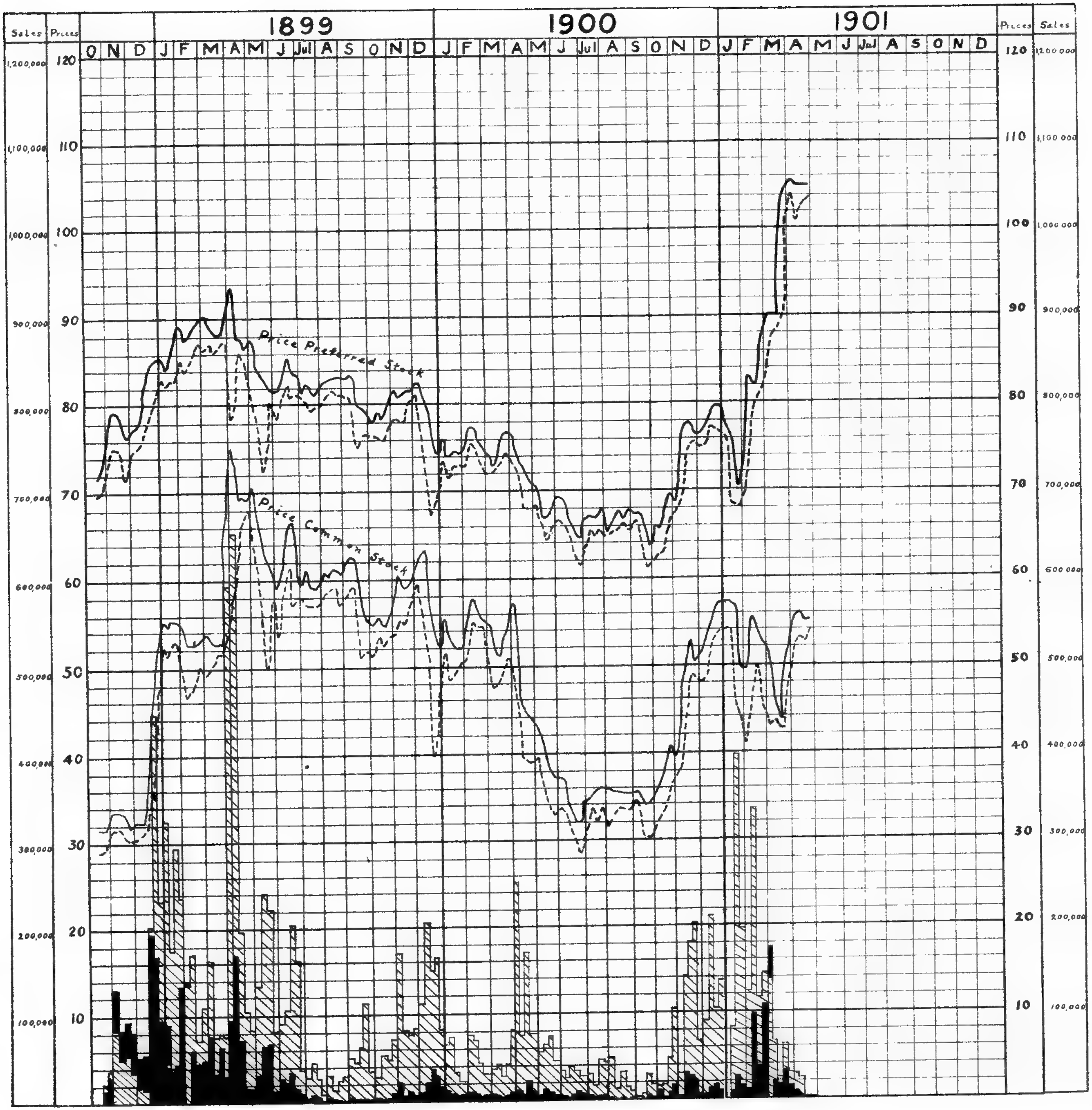


AMERICAN STEEL HOOP



NORRIS PETERS CO., PHOTO-LITHO., WASHINGTON, D. C.

NATIONAL TUBE



FEDERAL STEEL

Commercial and Financial Chronicle says editorially: "Events have shown that the condition referred to was simply a halt in a state of exceptional trade activity—a halt occasioned by the previous excessive inflation of mercantile prices, which, had it proceeded much further, must inevitably have led to serious disaster and to real and prolonged industrial depression * * *. Financial and stock exchange circles had suffered severely during the last half of 1899 from the excessive flotation and capitalization of industrial enterprises, and from the wild speculation in the securities of the same class of undertakings which had distinguished the early part of the year." It then goes on to explain how the awakening came through the action of the chairman of the American Steel and Wire Company. "While, of course, it was in the iron and steel trade that the conditions referred to were most conspicuous, yet it was soon seen that in other departments the same influences had been at work. Sharp declines in prices followed the efforts to get rid of unsold stocks. * * * The downward movement was intensified by the fact that the Presidential campaign came in as a disturbing factor, putting an embargo for the time being on enterprise."

In the Journal of Commerce, April 23, 1900, a significant view of the case is given. It is there stated that "pretty general agreement" had been reached to the effect "that the market for certain finished products alone had been overstocked, and this was traced in the main to the exorbitant prices to which the wire trust had marked its goods. It was not proved that the steel industry as a whole was unsound, that production had outstripped consumption, or that profits of manufacturing were about to disappear. Rather would it demonstrate to the satisfaction of most reasonable men that one or more high officials of an important company had abused the confidence placed in them, betrayed their responsibilities, and exploited their positions for private gains in the stock market."

Although this depression was very prolonged, yet it could not be permanent. With the growing assurance of McKinley's reelection, which finally became realized in November, with a growing "belief that the industrial interests of the country would continue to prosper," and a general revival of enterprise and business enthusiasm, there developed rapidly in October, and culminated in November, a sharp demand for industrial stocks, "notably the iron and steel issues," which caused steady advances toward levels nearly as high as they had ever been in some instances.

With regard to exceptional sales, it will be observed on the charts that the most of these took place during the early spring of 1899, in December of the same year, and during the last quarter of 1900.

The remarkable activity shown by the chart for the first-mentioned period simply reflects the fact that immense amounts of stock were put on the market and disposed of by the new iron and steel companies just being floated, and that there was an extremely buoyant market with excessive speculative buying and selling, for such was the case. The industrial novelties drew much attention and interest, and, as the times were good, there was much money for investment, creating an extraordinary demand for stocks, both for investment and for purely speculative purposes. The iron and steel issues usually came in for most activity among the industrials.

As for the heavy sales recorded for all the stocks during December, these are to be accounted for by the panic that seized the stock market. It is the endeavors of frightened holders of stock to unload because of declines in price that are here plainly shown. The somewhat unusual sales seen in the chart for April, 1900, and especially the extraordinary total of transactions in American Steel and Wire, are explained obviously by the flurry in the stock market over the action of the latter company, already described elsewhere.

On the other hand, every member of the iron and steel group shows tremendously increased sales during the final quarter of 1900, which are to be accounted for by opposite forces from those just now mentioned. As we have already seen, prices began to rise October, 1900, and there came on a season of enthusiasm and confi-

dence in the country's assured industrial prosperity during the near future such as led to an investment and speculative activity in many respects never before paralleled on the stock exchange. Shrewd operators bought heavily before the election, and then sold heavily just afterwards in order to realize profits. Speculation became extraordinarily active on the rising market, while buying by the outside public for investment was also exceptionally heavy. Hence, the records of enormous activity in the iron and steel stocks along with many others during the closing months of 1899.

The news of the proposed consolidation of the companies composing the iron and steel group became generally known in the latter part of February, 1901, and during the interval of several weeks which was required before the final exchange of stocks of the old companies for those of the new, the prices of the old stocks for the most part rose considerably, especially such as were to be taken into the Steel Corporation under most favorable terms as regards the basis of exchange. Thus the preferred stock of the American Tin Plate Company reached 120 in April and the common stock 80. The last-quoted prices of the preferred stock of the Federal Steel Company were somewhat over 100, as compared with less than 70 in the summer of 1900. The common stock of this company, on the other hand, fluctuated rather sharply after the beginning of the year, and even after the announcement of the proposed consolidation it did not, on the whole, increase in price. The sales of Federal Steel stocks during January and February were exceedingly large. The same, indeed, is true of all of the iron and steel group, and in some instances the heavy trading continued largely through the month of March.

The stocks of the United States Steel Corporation were first placed upon the market in the latter part of March. The lowest price recorded up to May was $42\frac{3}{4}$ for common stock, on March 28, and $92\frac{3}{4}$ for preferred stock. The stocks steadily rose in price as the success of the consolidation became more assured, until the maximum of 55 for common stock and $101\frac{7}{8}$ for preferred stock was reached on April 30. The securities of this company fell greatly as the result of the general temporary crash in May, and although they then recovered promptly, the prolonged strike of steel workers during the summer kept the shares from advancing to the figure reached in April. The stocks during the latter months of 1901 were kept quite uniform in value, and the sales were not extremely large, common stock ranging between 40 and 45, and preferred stock between 90 and 95.

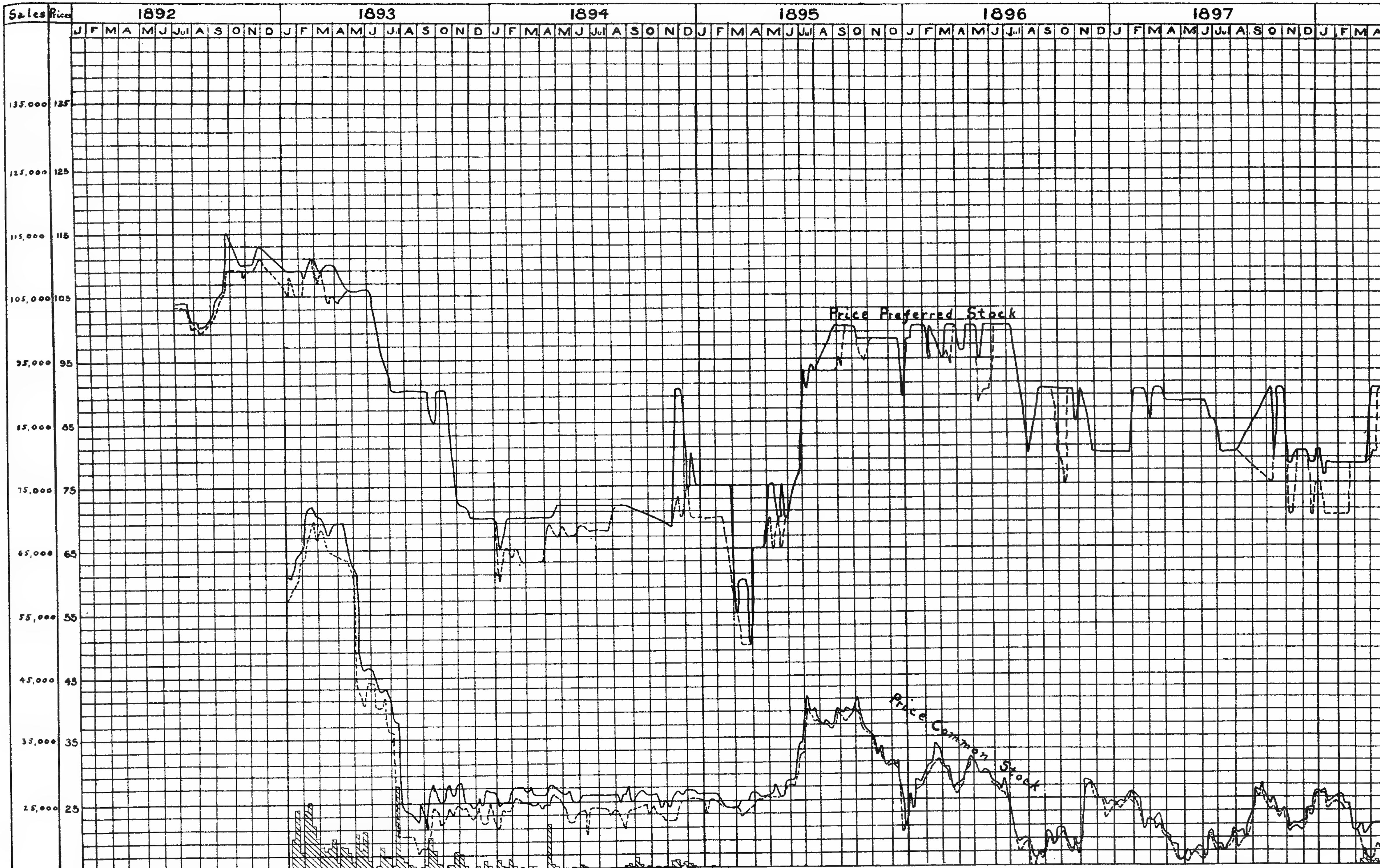
The stocks of the Pressed Steel Car Company, which did not enter the Steel Corporation, show a somewhat rapid decline during the latter part of 1900 and up to March, 1901, followed by a rapid recovery during April, since which time there has been a gradual decrease in the price of both preferred and common stocks. The trading in the shares of this company has never been large, as compared with that in many other iron and steel securities, but was greater during the first half of 1901 than at any other period.

COLORADO FUEL AND IRON COMPANY.

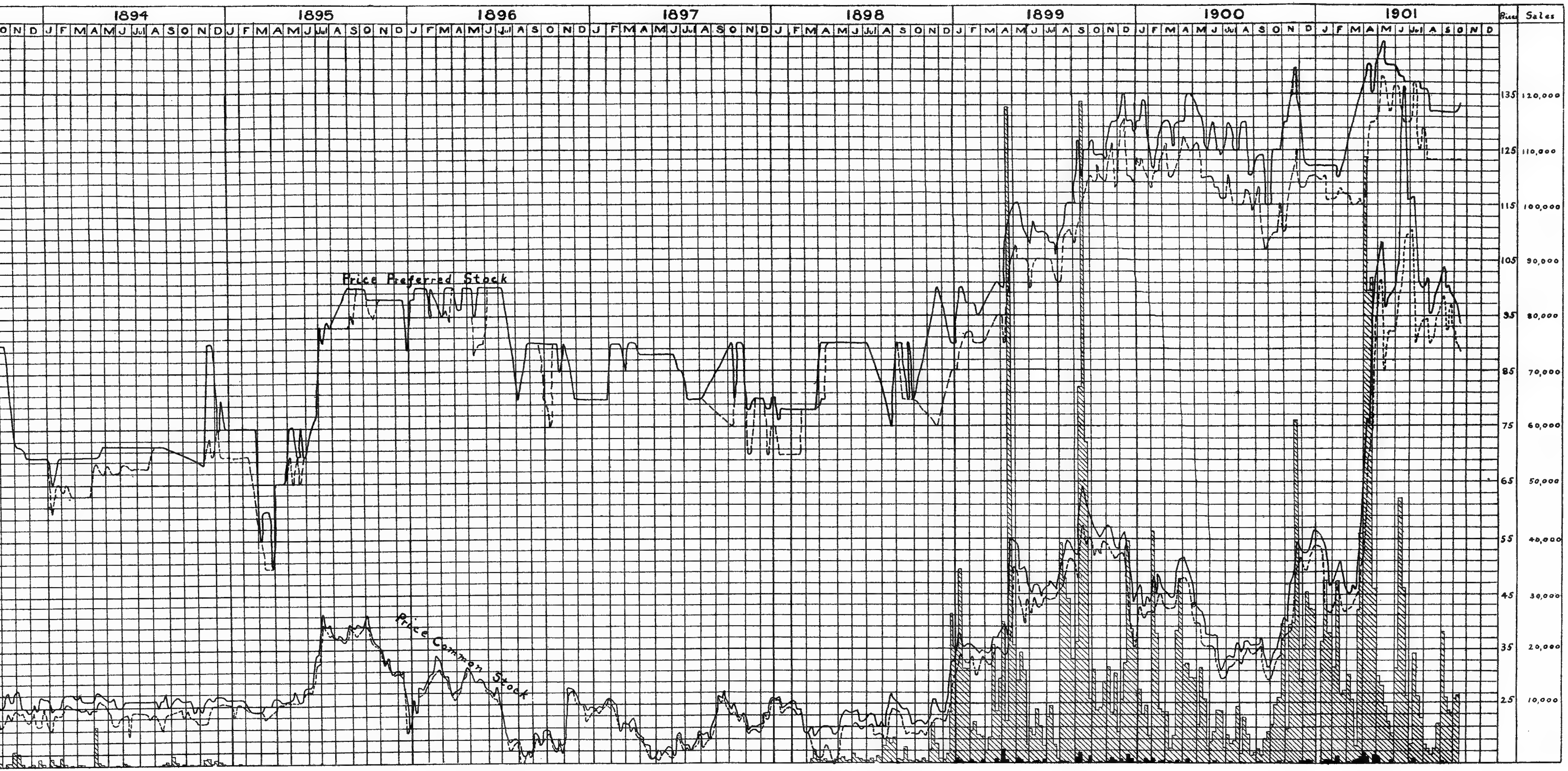
[A Colorado corporation, formed in October, 1892, by consolidation of the Colorado Fuel Company and the Colorado Iron Company. Stock, $2,000,000 of 8 per cent cumulative preferred, and originally $11,000,000 common, but increased by an issue of $6,000,000 later.]

This stock did not figure on the New York Stock Exchange to an extent worth mentioning until March, 1898, and not until the close of that year and during the first weeks of 1899 did a movement occur requiring comment here. This movement consisted of a sharp advance in both common and preferred stock, accompanied by sales far larger than ever before recorded. It was caused by reports that this company, together with the Tennessee Coal and Iron Company, were to be consolidated with the Federal Steel Company, whereupon there was excitement and advance in all three stocks till official denial of the reports was forthcoming.

The extraordinary sales, especially of common, in April, 1899, with an upward



COLORADO FUEL AND IRON CO.



COLORADO FUEL AND IRON CO.

spurt in price, took place on news from the West of exceptionally good earnings, "largely in excess of fixed charges," and of prospects of compromising the rights of cumulative preferred stockholders. A general speculative rush to buy further explains the movement. In August and September again there was a rise and great activity, caused by anticipations of a very favorable report, fully confirmed by the report itself on September 9. Besides this, however, there was heavy buying by parties seeking control of the stock in view of proposed developments in extension of the company's business. The panic in December of 1899 caused some depression.

During 1900 the company did an exceedingly prosperous business and paid 32 per cent in all upon preferred, thus rapidly discharging the arrears due on that stock. In February its first payment of a quarterly 8 per cent dividend took place and at the same time came the announcement of 7 per cent on common by the American Steel and Wire Company, which two events caused lively trading in Colorado Fuel and Iron stocks, with rising prices. The weakening of the stock in April followed on the sensationally adverse action of the American Steel and Wire Company, referred to under the "Iron and steel group." It shared to some extent in the weakness of the iron and steel stocks during the middle of the year 1900 and pending the Presidential campaign, but as the company was in reality remarkably prosperous, its stock responded quickly and fully to the immense revival of stock-market activity on rising prices in the last quarter of 1900. This is plainly shown on the chart.

The shares of this company show a very remarkable increase in value during March, April, and May, 1901. The price at the beginning of March was only 42, while at the beginning of May a quotation as high as 108½ was recorded, and in June the maximum of 136 was reached. This great increase is largely attributed to the fact that large purchases of stock were made by John W. Gates, former chairman of the board of directors of the American Steel and Wire Company, and it was generally understood that it was his intention to force a consolidation with the United States Steel Corporation. The trading in the stocks of this company was especially large during April. Since June the prices of the common stock have ruled somewhat lower, but have remained in the neighborhood of 100, the sales being small. The preferred stock shared somewhat in the upward movement, rising from about 120 to a maximum of nearly 145.

AMERICAN COTTON OIL TRUST.

[Stock originally, $42,000,000, outstanding. Reorganized in 1889, and stock reduced to $20,237,100 of common and $14,562,000 of preferred, outstanding.]

Until 1890 the stock-market reports furnish next to nothing in the way of explanatory information regarding the few "trust" stocks then existing, the reason being that such knowledge was not made available to outsiders owing to the secrecy maintained as to their inside affairs by the trusts. Consequently, there were many ups and downs in such a stock as that now under inquiry, based partly upon real conditions in the cotton-oil trade, partly on the influence of general causes external to that special business, and, finally, to no small degree, on the manipulations of pools or cliques with "inside" knowledge communicated by interested parties.

The marked decline, however, shown by the chart for 1887 was probably due to bad trade conditions at bottom, since the company was able to pay only 1 per cent dividend that year. In 1888 an annual statement was given out, claiming better prospects for the company on improving trade conditions; hence, probably, the advance to be noted in that year, very likely stimulated by bull manipulation, as such operations were very frequent in connection with this stock. In February, 1889, the Commercial and Financial Chronicle comments as follows on the very lively activity in cotton-oil stock, among others: "There has been of late lively speculation and advance in the leading trust stocks, and this class of security seems to be growing in favor for purposes of speculation." And, again, toward the close of

1899: "One of the most important features lately has been the enormous transactions in some of the trust stocks * * * but it is very doubtful whether these help the general market, as they are regarded differently from the regular railroad stocks, for less is known of 'trust' finances." In short, from all the available information and hints regarding cotton oil stock through the closing years of the eighties, it would appear that it was a favorite for inside manipulation, wherein the interested operators had an advantage over the puzzled outsiders, whose ignorance of actual facts laid them at the mercy of the rumor monger.

At the annual meeting in November, 1889, it was discovered that the company's finances were in bad condition. Whereas a circular issued in the summer had indicated net earnings to be $2,600,000 on a year's operations, it turned out to have been only an "estimate," and in reality the earnings were very nearly a million dollars less. Further, it came out that quantities of oil had been bought from rival companies at high prices, only to be sold afterwards at low prices; and also that the previous year's cotton-seed yield had been a very poor one. All these facts had been concealed. In consequence of these revelations it was determined to reorganize the trust and have it assume the form of a regular corporation. This plan was put in the hands of an able financier and the $42,000,000 outstanding stock was reduced to a face value of $32,000,000, thus "pumping out water" to the extent of nearly a fourth.

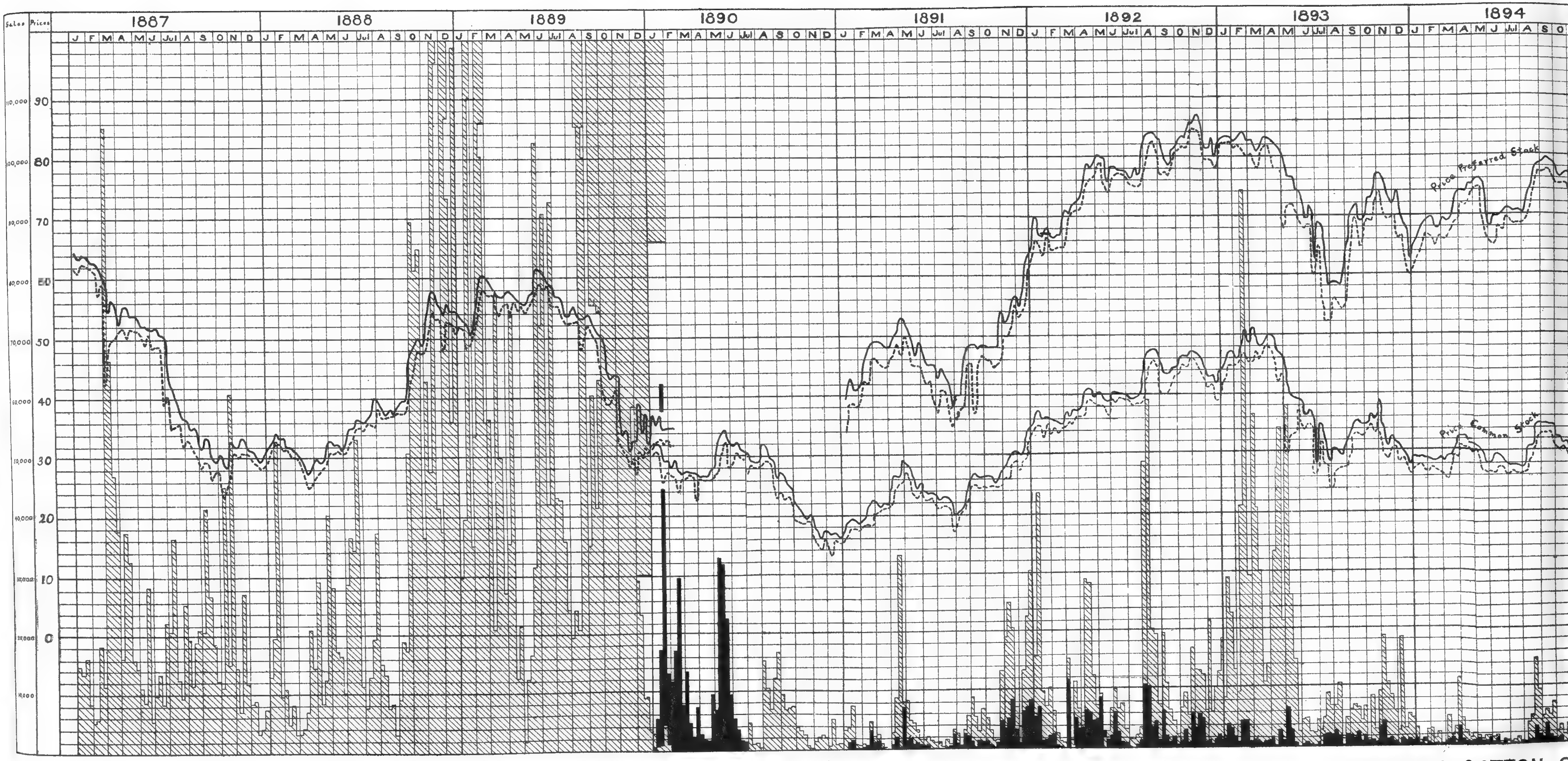
Of course the revelations above described had the effect of severely depressing the stock toward the close of 1889, and only reorganization prospects could bring the recovery which took place early in 1890; but after a thorough overhauling of the company's finances during 1890 it was found to have a net floating debt of some $2,500,000, and news of this sent the stock down in the latter half of that year.

With the opening of 1891 the new and able management soon began to revive confidence, and the stock slowly advanced for 18 months, with some temporary setbacks due to obscure or general outside forces. The rather exceptional activity to be noted in July-August, 1892, was caused by some heavy buying, "attributed to insiders, who have been interested in the company since its reorganization."

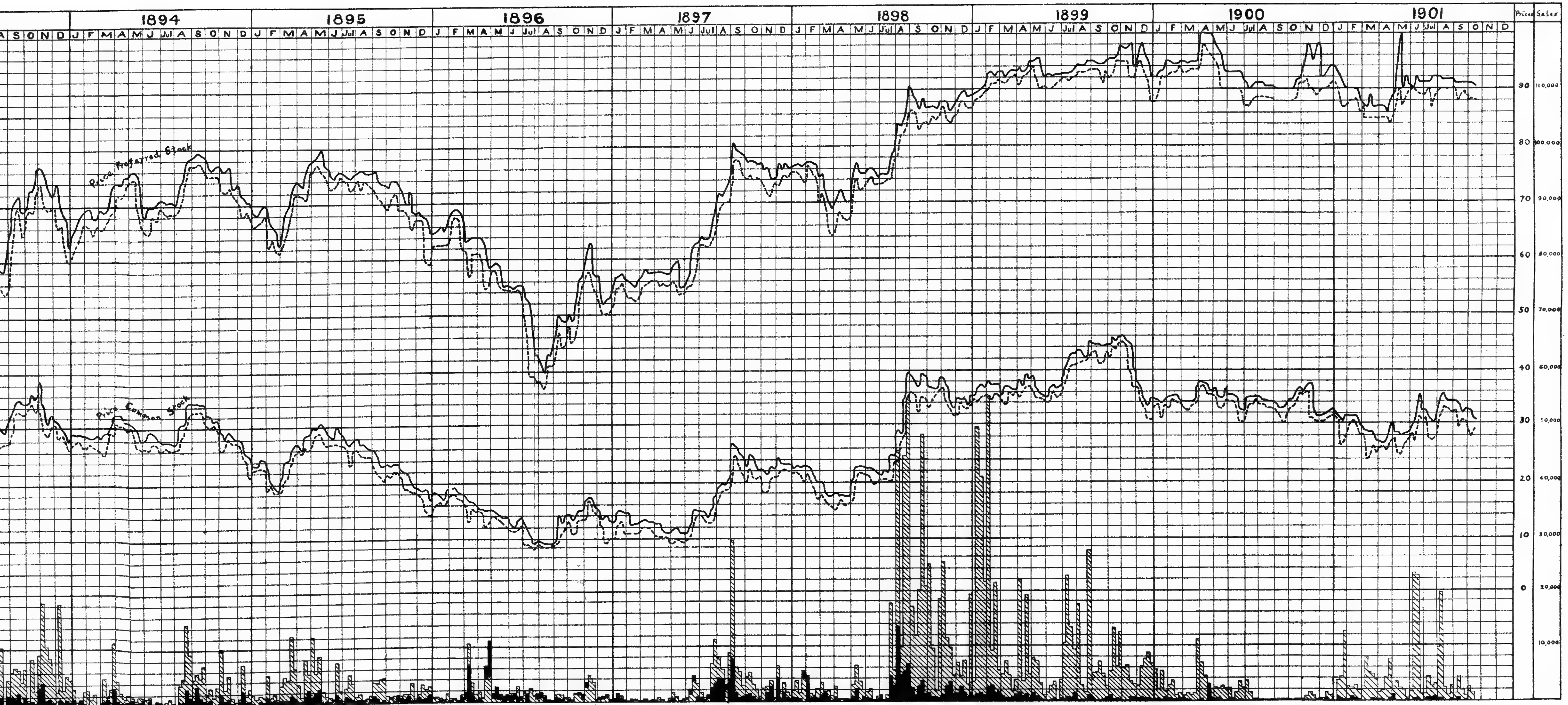
Early in 1893 Cotton Oil advanced and became very active on an upward turn in the price of lard, but very soon after declined under the adverse general conditions of that year. In connection with the general and heavy declines in 1893 the following from the Commercial and Financial Chronicle is interesting and instructive: "The efforts to depress prices in panicky times by false and malicious reports of financial weakness or probable disaster are justly looked upon by the better class of brokers as highly reprehensible. There has been very little news touching the actual values of stocks, and the chief cause of decline in prominent specialties is palpably the lack of support. In ordinary times a leading stock may be thrown overboard in any small panic, and at moderate declines its friends come in and buy it freely, thus steadying the price; but in the present long-continued depression such support is impracticable, because a few bankers and capitalists would have to stand under and support the stocks of companies whose aggregate capital reaches up beyond $1,000,000,000. Instead of fighting an ordinary panic and raid on values, they would be attempting to resist the demoralizing influences produced by the United States Government's action in its continued issue of coin notes against the purchase of silver bullion. This view of the case may explain largely the decline of the principal stocks."

The striking decline between September, 1894, and February, 1895, accompanied by unusual sales, though due partly to unfavorable general conditions, was also caused by a disappointing annual report in November, 1894, and the resignation of a prominent and able director.

The long decline from May, 1895, till August, 1896, was undoubtedly due to bad times in the cotton-oil trade itself. At the same time that the supply of cotton seed was poor, there was a decline of no less than 25 per cent in the price of the co



AMERICAN COTTON O



AMERICAN COTTON OIL TRUST

pany's products. In July-August, 1896, this discouraging outlook was aggravated by the uncertainties of a political campaign.

At the beginning of 1897 that, with a turn for the better in the cotton-oil trade, as well as general business prosperity, and the rise of a new demand for securities for investment purposes, Cotton-Oil stock made striking and fairly solid advances, as seen on the chart.

The war scare in the first half of 1898 caused the usual sag in price, but with assurance of victory and early peace, and really sound business outlook, the stock advanced rapidly and became quite active under considerable buying. A 3 per cent dividend was paid on common at the end of the year.

From this time till the close of 1900 the stock merelv shared in the ups and downs of the general market, being remarkably strong and active early in 1899 in view of general conditions, suffering some under the December panic, and then recovering, to remain inconspicuous during 1900 for any exceptional movement.

The stocks of the American Cotton Oil Company show few movements of special interest during 1901. The sales increased to a considerable figure during June and August, but the prices of stocks did not fluctuate greatly. This company does not appear to have been materially affected by the sudden slump in the general market during May. The single high quotation of preferred stock of this company in May was not accompanied by sales, and is therefore insignificant. During 1901 the preferred stock has been held quite uniformly at about 90, while the common stock has ranged in the neighborhood of 30.

AMERICAN TOBACCO COMPANY.

[Incorporated January 21, 1890; stock now outstanding, $54,500,000 common and $14,000,000 preferred.]

Until 1893 American Tobacco was inactive and calls for no comment.

The decline earlier in 1893 was due to general causes largely, but also to persistent and hostile competition by outside companies. The unusual sales shown in January-February, 1893, were at first caused by a scare arising from a mistake in the figuring up of the company's earnings, and next by reports that the company was about to secure control of another line of manufacturing. The latter gave rise to a strong movement in the common stock and very lively trading. The recovery of price in September was based on the general improvement in feeling and business activity on the passage of the silver repeal bill by the House.

While no exceptional sales occurred in 1894, the stock continually made advances, due partially to reaction generally from the extreme depression of 1893, but largely to the fact that after all the company had paid 12 per cent dividends on common for that year, notwithstanding the bad times, thus restoring confidence in the stock. In April some strong manipulation effected a special advance, while in August the execution of heavy buying orders for interested parties again stimulated the price further.

In August-September, 1895, some extraordinary sales occurred on a break in Tobacco, caused by disturbing reports of energetic competition in the West and fears of a lively trade war. Besides this, the attorney-general of New York State threatened to institute proceedings against the company under the antitrust law. Again, in December of 1895, there were large sales, on a decline caused by the passing of the dividend on common, this having the effect of forcing holders of the stock to realize the force of the competition pushed by Western concerns.

The month of March, 1896, was a period of tremendous activity in American Tobacco. "Business in the general market was merely an incident to the manipulation of Tobacco, most of which was openly carried on by brokers recognized as dealing for inside interests. The room was full of stories as to the settlement of the war in tobacco trade." But insiders must have had intimation, further, of the coming declaration, early in April, of a 20 per cent stock dividend and 2 per cent cash divi-

dend on common; hence the trading on their behalf in March. The sharp advance in common at this time was partly based on the dividend prospects, but partly on the determined manipulation, and in a short time the stock fell back to a more normal price. It weakened some in May, on the news of an action brought against it as a "trust." In October, on the other hand, the price was marked up by shrewd manipulation on the part of operators "always identified with speculative manipulation."

American Tobacco stocks supplied no sensational events during 1897. The Greco-Turkish war, the threatening Cuban troubles, and such events were now and then used by the bears to make raids on Tobacco, while, on the other hand, recurring rumors of a cessation of severe competitive rivalry would be used by the bulls to enhance prices. The thickening Cuban difficulties caused a weaker and rather dull period during the closing months of 1897.

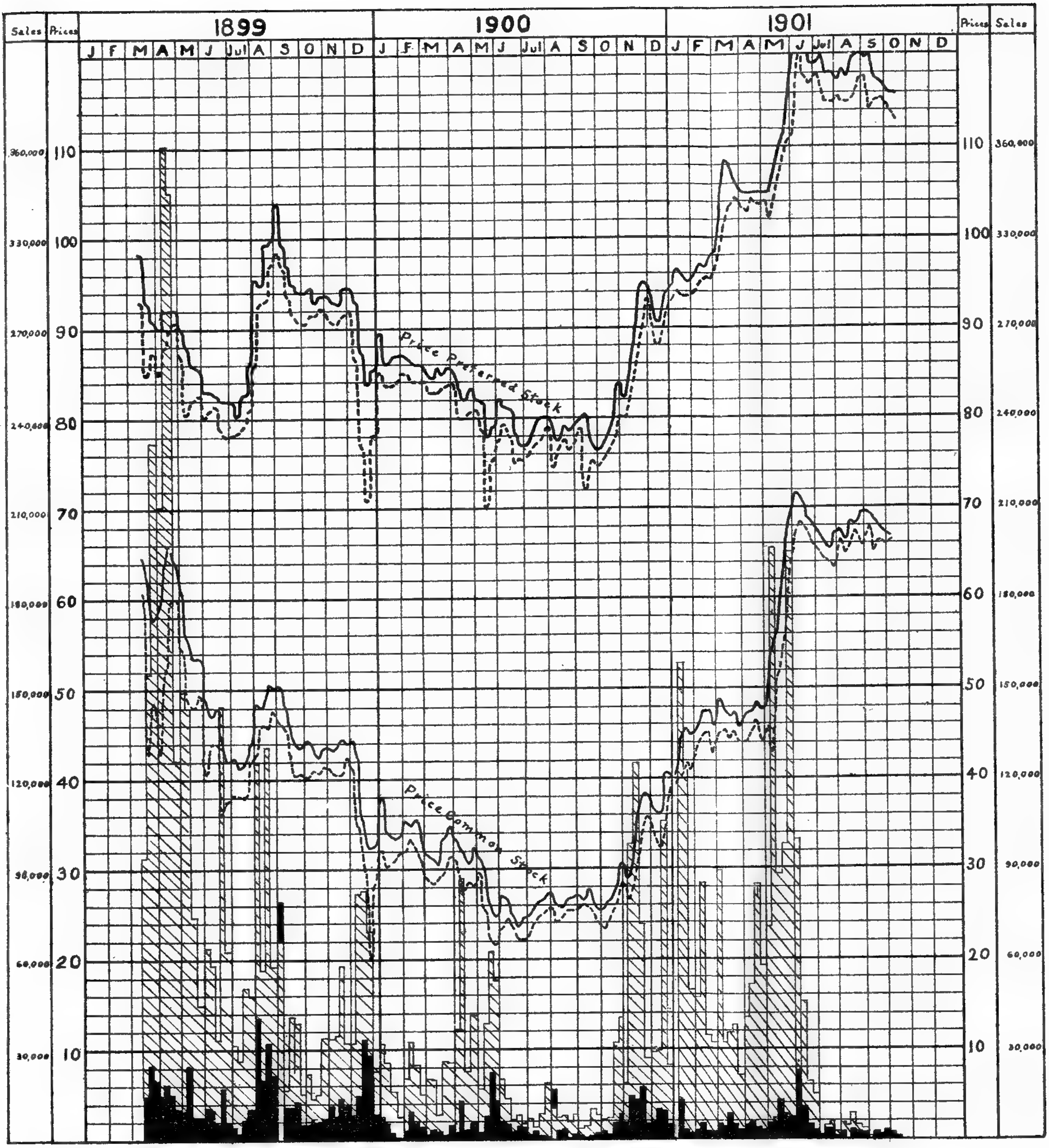
But 1898 made up for the dullness in the previous year. The outbreak of war with Spain as an external force, and, again, the successful ending of it in a few months, showed marked effects on Tobacco stocks. But in addition thereto this stock was a great favorite with the speculators. In April a large short interest was suddenly caught napping and was made to pay dearly for it, the price jumping up 15 points. Rumors of a trade-war settlement continued to be persistently used by operators for manipulative purposes.

The unusual activity and sharp advances during September-October, 1898, were due partly to the cessation of war with Spain, but largely to news of successful progress in absorbing certain strong plug-manufacturing interests, represented by the Drummond Tobacco Company, of St. Louis. Manipulators used reports pro and con as to this deal to suit their own purposes. During the early days of October a bear clique operated extensively on Tobacco, depressing the price very considerably, while later sharp recovery ensued on the completion of the Drummond deal. Again, however, news of the formation of the Union Tobacco Company at Albany, with $10,000,000 stock, then of the International Tobacco Company, and finally rumors of the coming Continental Tobacco Company, though the latter was largely controlled by the same interests as the American Company, all combined to hit American Tobacco a hard blow, and the stock fluctuated sharply toward the close of 1898.

At the close of February and in March, 1899, American Tobacco common exhibits a wonderful upward "gyration" of some 90 points, followed by equal collapse, the whole incident being accompanied by enormous sales. This occurrence was "purely a speculative movement, as the public was not aware of any change in the condition of the company." The bull operators were aided in this manipulation by carefully nursed rumors of consolidation with competing concerns, such as kept holders of American Tobacco stock wildly excited. Subsequent to the collapse of this bull operation there was some fresh advance on well-accredited news of an absorption of the Union Tobacco Company.

The speculative forces seemed to have exhausted themselves by now, and for the rest of 1899 and during 1900 were little in evidence connected with American Tobacco. The striking decline in May, 1900, was caused by the organization of new tobacco company, news of which tempted "the room to go heavily short" in American Tobacco stock. For the rest there was no occurrence in American Tobacco worthy of special comment here.

The sales of shares of the American Tobacco Company have been less during 190[illegible] than at any other period. There was considerable speculation during March, April and May, but since that time the sales have been small. The common stock rose rapidly from the beginning of the year, when it stood at about 110, to June, when the maximum of 144 was reached, the decline in May being of very brief duration. Since June the prices of the stock have ruled somewhat lower, the quotations in October standing at about 135. The movement of the preferred stock has been less marked, but it has stood nearly at 150.



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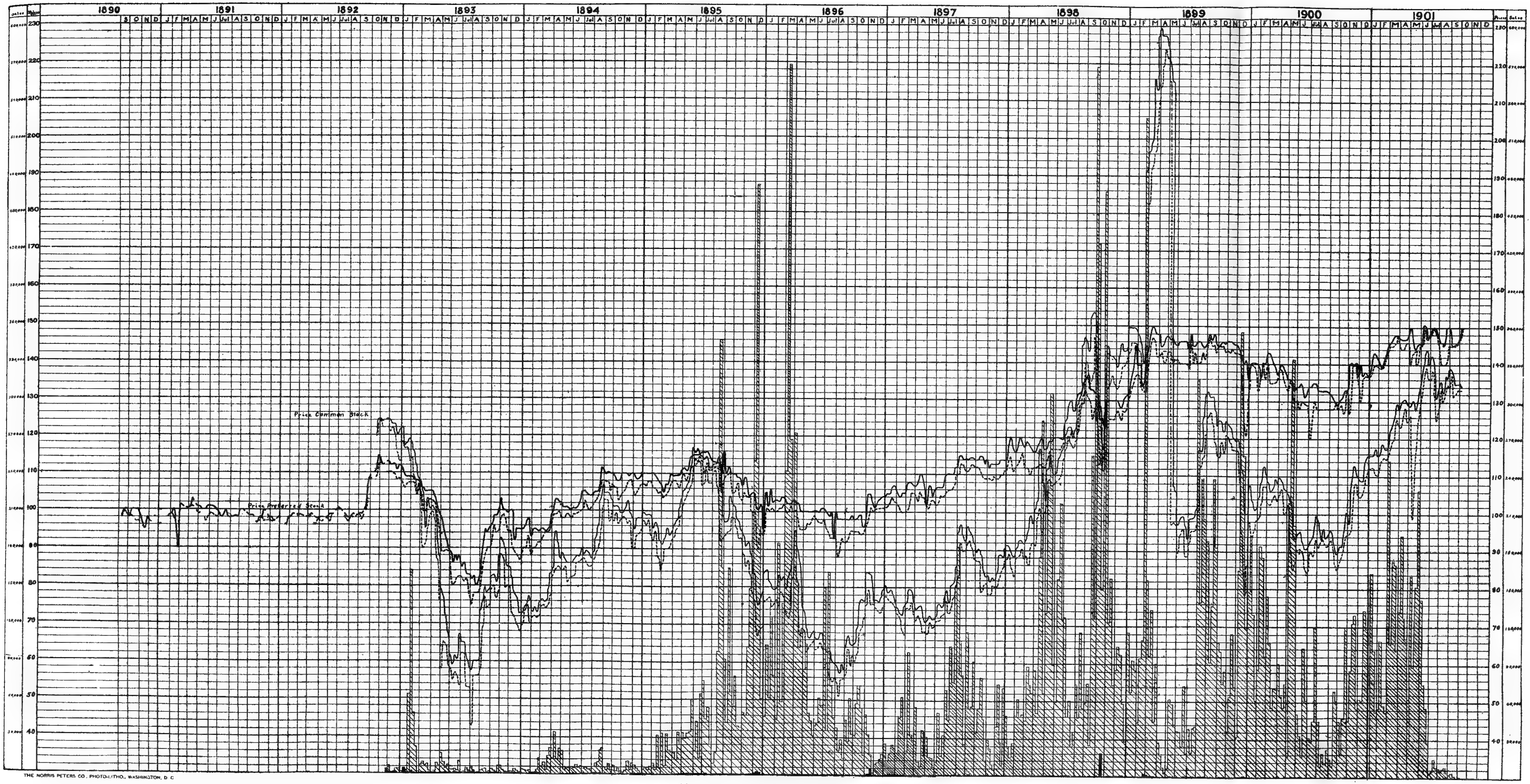
CONTINENTAL TOBACCO



THE NORRIS PETERS CO., PHOTO-LITHO., WASHINGTON, D. C.

AMERICAN TOBACCO CO.

CONTINENTAL TOBACCO COMPANY.

[Incorporated in New Jersey December, 1898; acquired by purchase of the entire business and assets of ten or twelve concerns; stock, $37,500,000 of common and the same in preferred until April 21, 1899, when each was increased to $50,000,000, nearly all outstanding.]

Amost immediately upon its appearance on the Stock Exchange, near the middle of March, 1899, Continental Tobacco suffered a sharp decline of some 6 or 7 points and was freely sold. This was caused by dispatches to the effect that another syndicate had secured an option on the St. Louis company's plant, when it had been supposed that the Continental Tobacco Company had successfully absorbed it.

Next there came in April a spurt upward in price, with enormous sales for some days, all based on a rise in the price of plug tobacco. The fluctuations and transactions at this time were greatly increased under lively speculative manipulation.

During May and June Continental Tobacco declined heavily, there being a general break in industrial stocks, which had been feared for some time by conservative brokers, owing to the overspeculation and exaggeration of values from January till April. Conditions being ripe for the break, a sudden access of caution among money lenders as to loaning money on industrials as collateral and a general tightening of the money market in May precipitated it. The death of ex-Governor Flower, on May 13, fears as to the effects of the pending Ford franchise tax bill, and other minor incidents all helped to depress the industrials severely.

With July and August, however, there came a sharp advance of over 20 points and exceptional sales. The tobacco companies were known to be making handsome earnings at this time, which tended to strengthen their stocks generally, and Continental Tobacco was further advanced on news that the company had just absorbed successfully the Buchanan & Lyall property, a well-known and prosperous plant and business.

Some natural reaction then occurred, and in December, 1899, the panic sent down Continental prices, along with all others.

The slight weakening in January, February, and April, 1900, was due to general causes; but in May there came a sharp drop, on a misapprehension that a new leaf-tobacco company, then being formed, was going to be a hostile competitor with the Continental Tobacco Company.

During the next few months there was little trading and little variation in the price of the shares of the Continental Tobacco Company. In November, 1900, however, began a period of considerable speculation, which lasted until June, 1901, during which the price of common stock made a very striking increase, from about 25 to 70. After June 1 there was very little speculation in the shares of this company, and the price remained roughly uniform, common stock standing between 65 and 70 and preferred stock between 110 and 120.

AMERICAN SUGAR REFINING COMPANY.

[Incorporated in New Jersey January, 1891; stock, originally $50,000,000, but increased in January, 1892, to $75,000,000, when the Philadelphia refineries and a controlling interest in the Baltimore refinery were acquired. The trust also owns half the stock of the Western Sugar Refining Company, which holds Spreckels's sugar refinery in California under a ten-year lease. In 1896 eleven-eighteenths of the coffee interests of the Woolson Spice Company were acquired, and later the beet-sugar refineries in California. In February, 1897, it was officially stated that the trust supplied 77 per cent of the entire output of refined sugar in the country.]

The enormous sales shown in the chart near the close of 1892 were due to the selling out by Philadelphia parties, who had received stock for their refineries, on fears that they were about to be proceeded against under the Sherman antitrust law. The unusual activity apparent in the first quarter of 1893, with great price fluctuations, was caused by heavy manipulation, inside interests taking an active part. No news was forthcoming for the general public at that time regarding the trust's affairs.

The serious drop in prices during May, 1893, was due to the generally adver conditions of that period, more especially, perhaps, in the case of an industrial lik American Sugar, to the sudden distrust of that class of stocks bred by the break i National Cordage and its passage into receiver's hands just then. The large sal in December, with falling prices, were caused by reports of unfavorable tariff legi lation, such as that the duty on refined sugar was to be reduced one-fourth of a ce per pound.

In March, 1894, sugar stock again became a sensational feature, under large spec lative operations, and continued to fluctuate rather wildly until the actual passage c the new tariff law in late summer, as the manipulators persistently used variou rumors pro and con from Washington for their own purposes. In September an October the stock weakened materially on Havemeyer's announcement that the raw sugar market was unsatisfactory and that some of the refineries would be shut dow But in November, and especially December, it became a favorite among speculator and there was heavy buying and selling by various cliques for reasons very obscur to the outsider.

During March, April, and May, 1895, sugar stock advanced, showing great activity on an improvement in the trade and a hopeful industrial outlook generally, whic was fully taken advantage of by bull operators. In June the highest quotations o the year were reached on the declaration of the regular quarterly dividend of 3 pe cent. As no information was given out regarding the company's business and pros pects, the reasons for the subsequent decline which took place were better know to "insiders" than to the public.

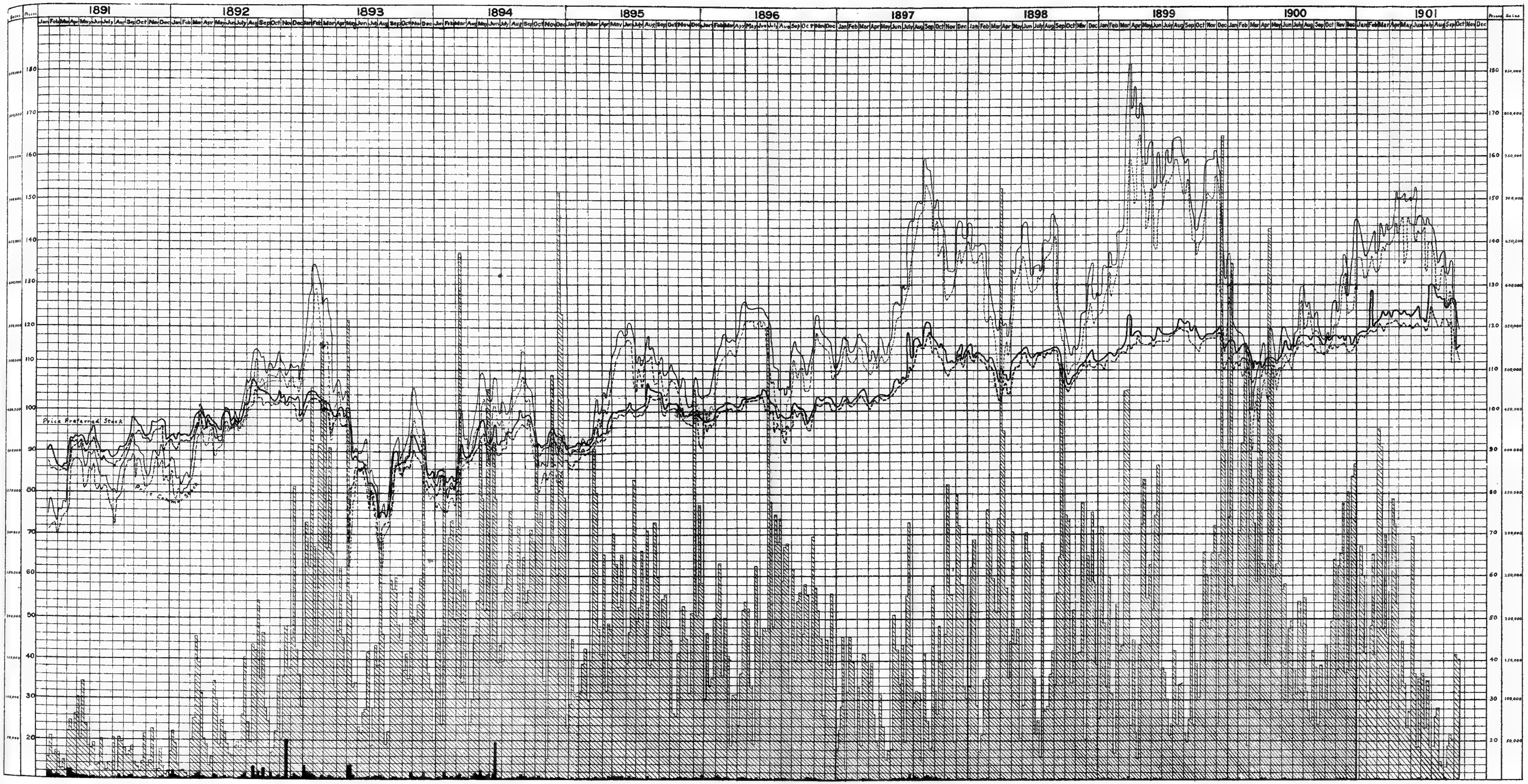
The sharp advance during the first third of 1896, in spite of no improvement i sugar trade conditions, seems to have been due to artificial forcing by profession combinations, particularly in April, when a strong pool was known to have the stoc in hand. The movements in American Sugar stock for the remainder of 1896 merel reflect for the most part general outside forces, principally the depressing influenc of uncertainty pending the issue of the national political campaign, followed b buoyancy and loosening of capital for investment immediately upon the outcome o the elections being known.

The remarkable event in 1897 connected with American sugar stock was th advance of some 30 points between July and September. This partly arose from th growing anticipation of favorable currency legislation, general business improvemen in the country at large, and great speculative activity on the stock market. Bu American sugar profited also, in particular, by rumors and expectations of especiall favorable tariff legislation in the forthcoming Congress. In September, however the very high price tempted large sales for profit taking, which weakened the stock the decline being still further caused by increasing troubles over the Cuban situation

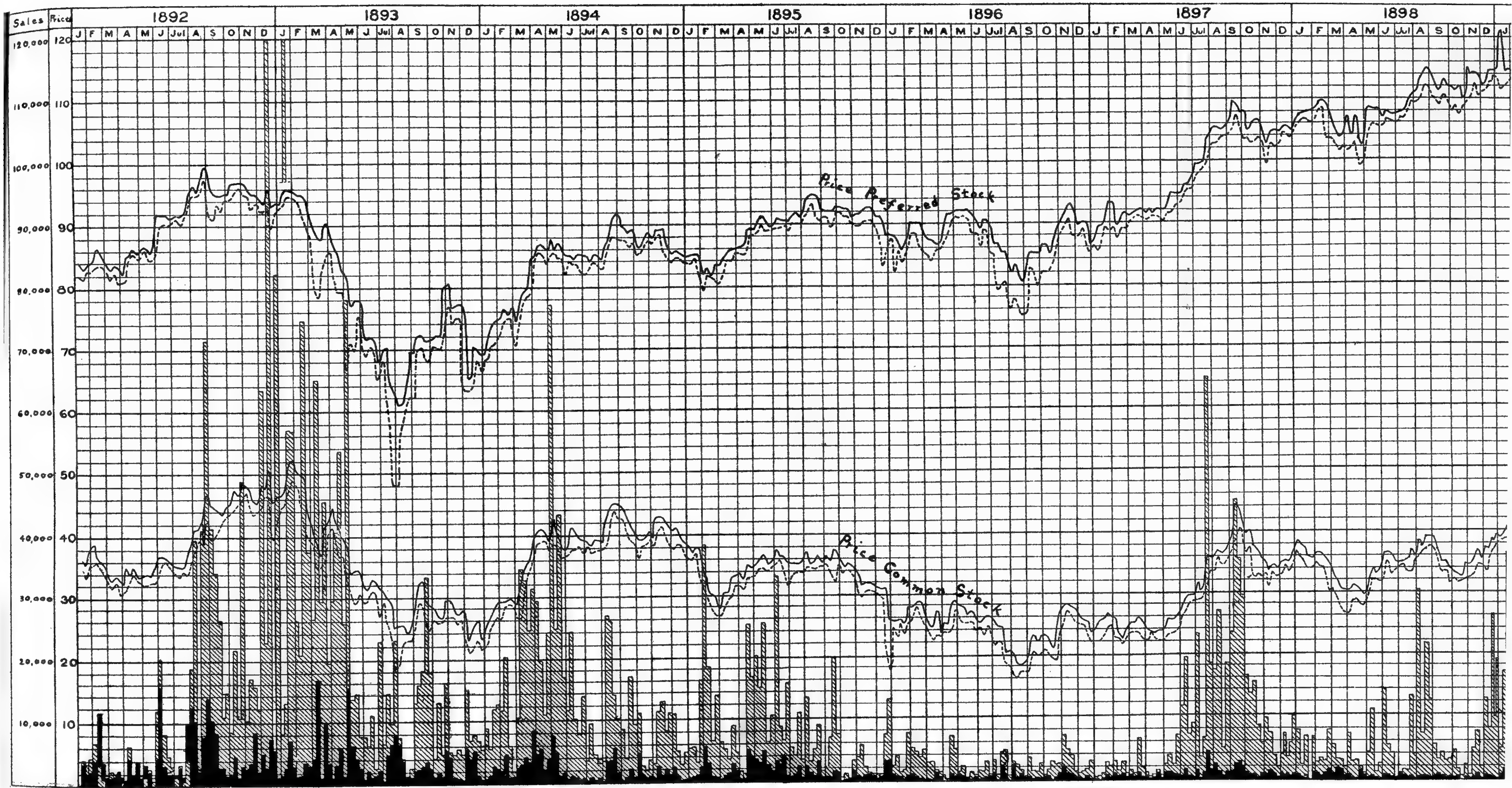
The movements in American sugar stock in 1898 up till September were merel in response to the depressing influences of the war scare, followed soon by the revers influences of continued victory and prospects of early peace. But in September an October a decline of some 33 points took place, accompanied by very heavy selling all caused by determined bear raids on the part of large operators, aided by a tem porary money stringency on the great absorption of cash incident to floating th Government loan.

As regards the sensational rise from 134¾ to 182, scored in February–March, 1899 by American sugar stock, although no news for the outsiders was forthcoming abo the affairs of the company, a leading financial journal remarks: "All things consid ered, the safest explanation of these violent fluctuations seems to be the theory th certain shorts were badly squeezed. Who they were and how they arranged, th street was at a loss to know."

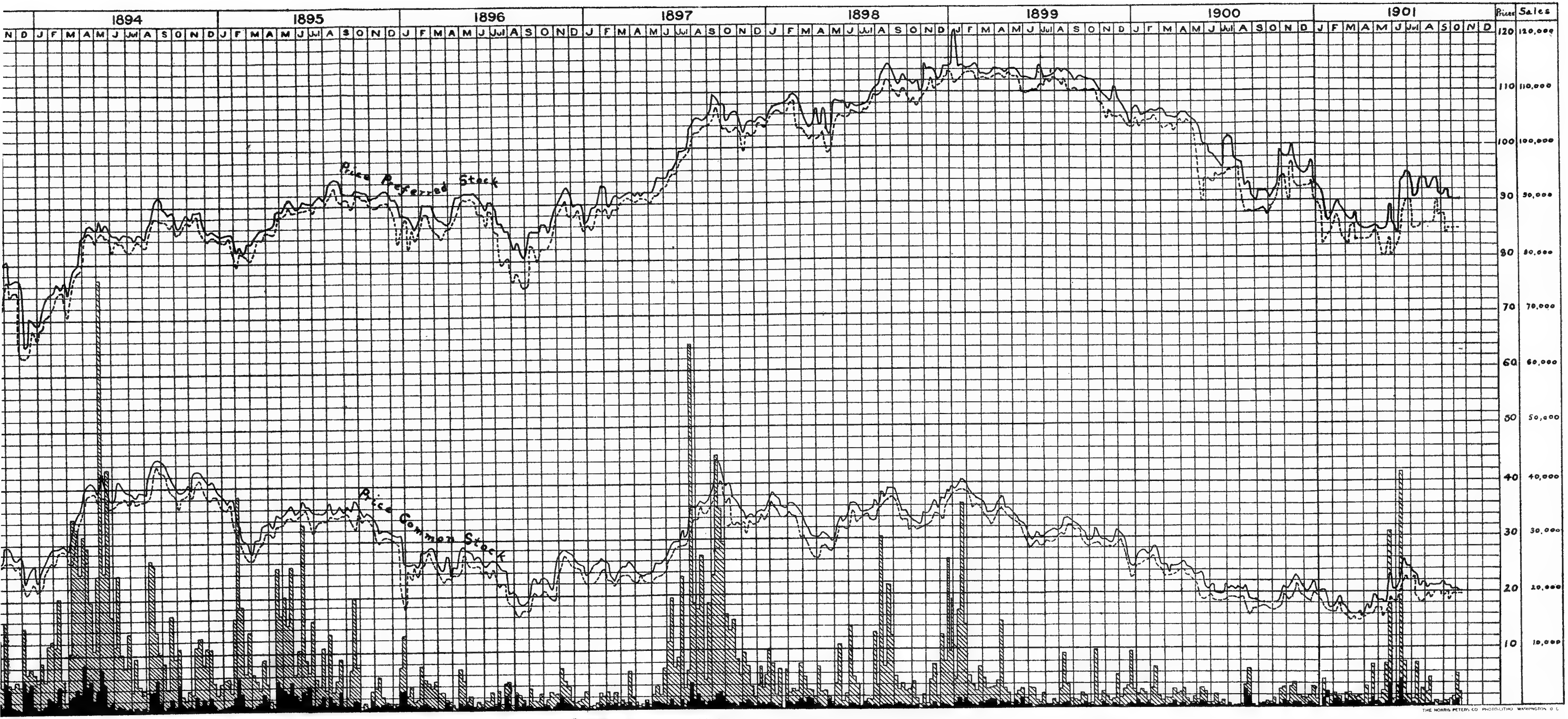
The stock suffered decline under the December panic of 1899, and was weak earl in 1900, under official statements from the company leaving it doubtful whethe the next quarterly dividend on common would be paid, thus implying an unfavor



AMERICAN SUGAR REFINING CO.



NATIONAL LEAD COMPANY.



NATIONAL LEAD COMPANY.

able state of things in the sugar trade. As no information was to be had of the company's real status and prospects for months afterwards, the price continued weak and there was dullness in the dealing with sugar stock for the remainder of the year 1900.

The dealing in the shares of the American Sugar Refining Company during the first half of 1901 was considerable, but still much less than at many other times. The prices rose steadily until June, when a maximum of 153 was reached. From this time on, despite the fact that the dealings in the stock were much smaller than at most other periods, there was a steady decline in the price of common shares, which reached a minimum of little over 110 in October.

NATIONAL LEAD COMPANY.

[Organized in New Jersey December 7, 1891; controls extensive plants in different States; preferred stock entitled to 7 per cent cumulative; authorized capital stock, $30,000,000, nearly all issued.]

In July-August, 1892, National Lead stocks advanced sharply and became very active, on reports of good earnings and in a buoyant, advancing market. In December, with a market generally active in industrials, National Lead was tremendously active on constant reports of consolidation with Linseed Oil; but as this fell through, decline set in, with decreased activity.

Early in 1893 the price began to decline on talk of sharp competition, and there was much unloading of the stock. Then came on the 1893 panic times, and lead went through heavy decline, followed by advance upon silver repeal prospects later in the year. The bad break in National Cordage particularly brought on general distrust in industrials.

In 1894 Lead scored large advances and became very active at times, e. g., in March, April, and May, on prospects of a tariff duty on lead and good business in the lead trade.

In 1895, after suffering some decline during February under liquidation sales and rumors of an unfavorable annual report, National Lead advanced slowly till August and then remained strong the rest of the year, though showing no very exceptional activity. Good lead trade conditions lay at the bottom of this, with no disposition among operators for some reason to speculate in this stock. The company expected material benefits this year from the tariff schedules passed the previous year.

In 1897, Lead stock began a sensational advance in April, and rose by September to nearly 110 points from 92, becoming very active at the same time. This was a period of industrial revival and a buoyant stock market generally, but especially anticipation of favorable lead schedules in the expected tariff legislation helped send this stock up.

National Lead's business continued normal during 1898, and the relatively quiet and small fluctuations in its stock were in response to the pressure of general circumstances, the war scare, etc.

An unfavorable annual report, ill concealing gloomy prospects for the lead business of the company, started a decline, which continued—with interruptions of temporary character—until October of 1900. Its stocks became very dull and inactive in the market. Toward the close of 1900 there was revival in lead stocks without any special news from the company, simply in response to the great stock boom following Mr. McKinley's reelection. Amid so many new industrial stocks rapidly appearing on the Exchange during 1899–1900, National Lead seemed to fall out of notice.

The only interesting feature in the securities of the National Lead Company during 1901 is the sudden increase of sales and prices of the common stock in May and June. The common stock reached a maximum price of 26 in June, while the preferred stock rose to 95. After this time the stocks fell somewhat and the sales were greatly lessened.

UNITED STATES RUBBER COMPANY.

[Organized in New Jersey October, 1892; by March, 1897, it controlled 65 per cent of all rubbe goods output. Authorized capital $25,000,000 each of common and 8 per cent noncumulati preferred.]

The decided advance of this stock in March, 1893, in the absence of any new whatever regarding the company, seems attributable to the shrewd manipulation a few speculative favorites about this time. The subsequent prolonged decline w due to the generally adverse causes of that period already frequently alluded to.

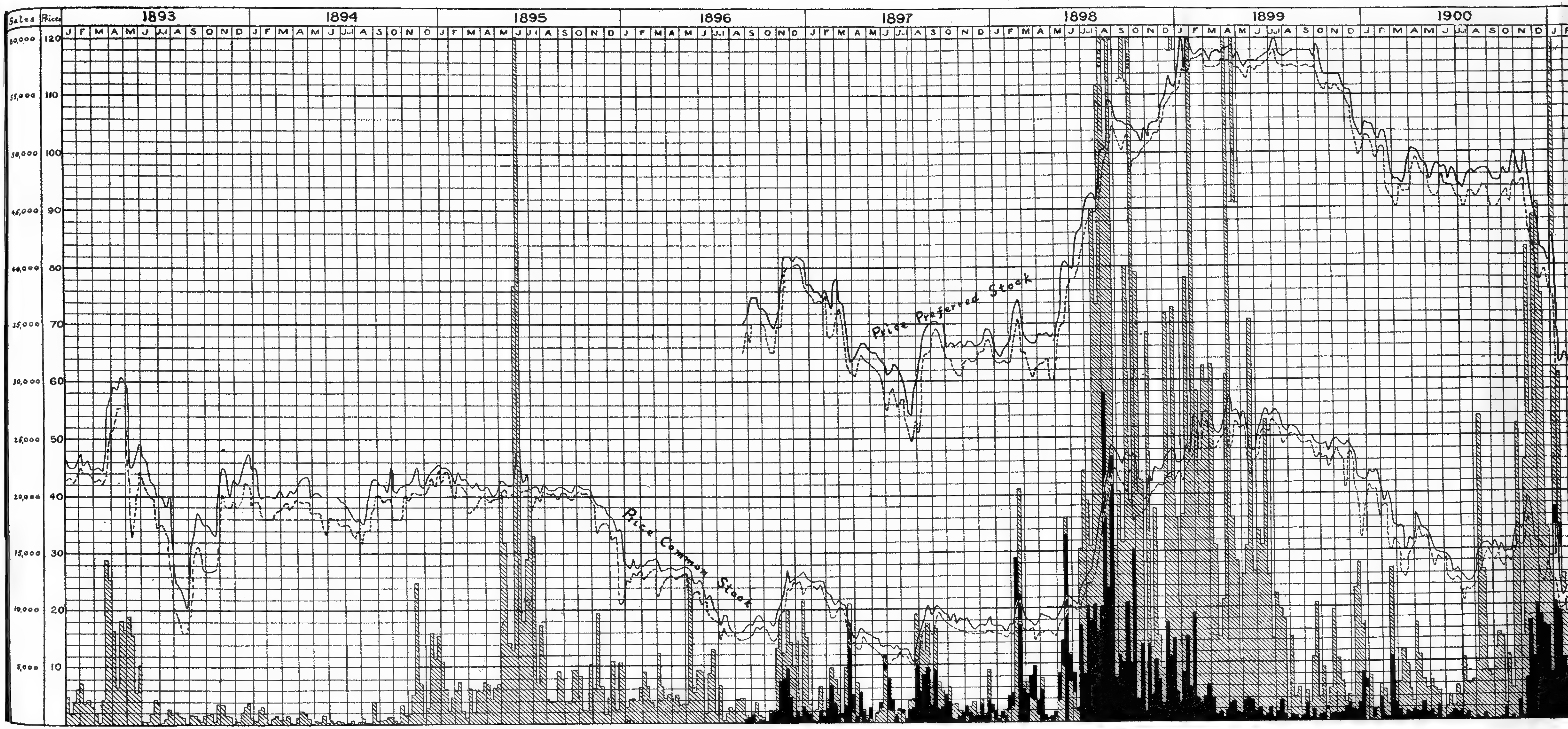
The year 1894 was without incident as regards United States Rubber stock, b in June of the next year there occurred some enormous sales, coinciding with sha advance in price, all based on reports of more harmonious relations with certa rival companies and some extensive buying by New England parties. The notic able decline near the close of the year (1895) was due to external events, such the heavy gold export, the Venezuelan message, etc.

During the first seven months of 1896 United States Rubber stock declined, ow partly to poor business in rubber goods, arising in turn from the unusual amount open, fine weather; but also partly to dissensions in the directorate, with repo that ex-President Bannigan and his sons were about to withdraw from the co pany and set up a rival concern. With a settlement of these difficulties in Augu however, and an improved outlook for the rubber-goods trade, the stock aga advanced decidedly.

In 1897, until August, there was again prolonged decline, attributed by president of the company mainly to bad rubber-goods trade, but as there was duri this time severe competition by outside companies, which enforced the cutting prices on rubber goods, we may take it that this had much to do with the weakn just noted. The slight gains in August-September were due to an exceedin active and buoyant market generally.

Aside from the influence of general events, United States Rubber stock exhi nothing of special interest again till July, 1898, when on an improvement in trade and rumors of a dividend on common stock, a clique of operators took hold energetically manipulated the stock for a rise and caused tremendous activity f time. About the close of July occurred the death of ex-President Bannigan, o a staunch friend, but later an implacable foe of the company, and on news of "United States Rubber stocks received speculative support at a much higher range price." Late in the year (1898) negotiations for the absorption of the Boston Rub Shoe Company stimulated the stock further.

For 1899, 1900, and 1901 the movements of United States Rubber stock are reflections of general conditions on the stock market, save an advance in Octob November, 1900, on reports of consolidation with rival firms, followed soon by gr weakness as the year closed, due to cutthroat competition with outside companies. order to force them to the wall, or else to come into the trust, a 25 per cent reducti in prices of rubber goods was announced for January 3, 1901, provided they did n come to terms. The result of this conflict was to reduce the prices of the Unit States Rubber Company. Common stock touched a minimum of 14½ at the begi ning of February, having fallen from nearly 40 in November, 1900. There was considerable amount of speculation early in January on account of this disturbanc From this time on the stocks remained comparatively stationary with little specu tion. During October there was a marked fall in the prices of both preferred a common stock, the latter reaching 12¾.



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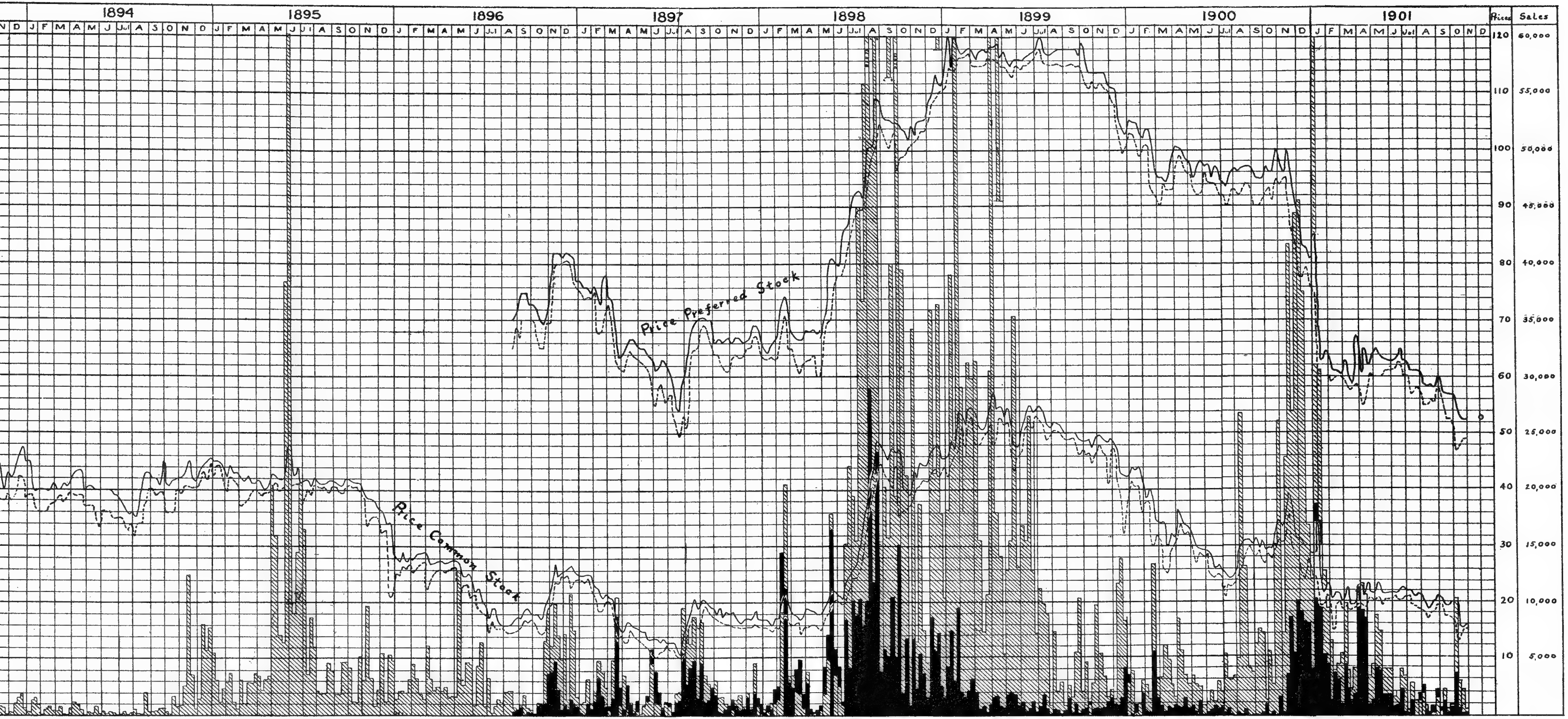
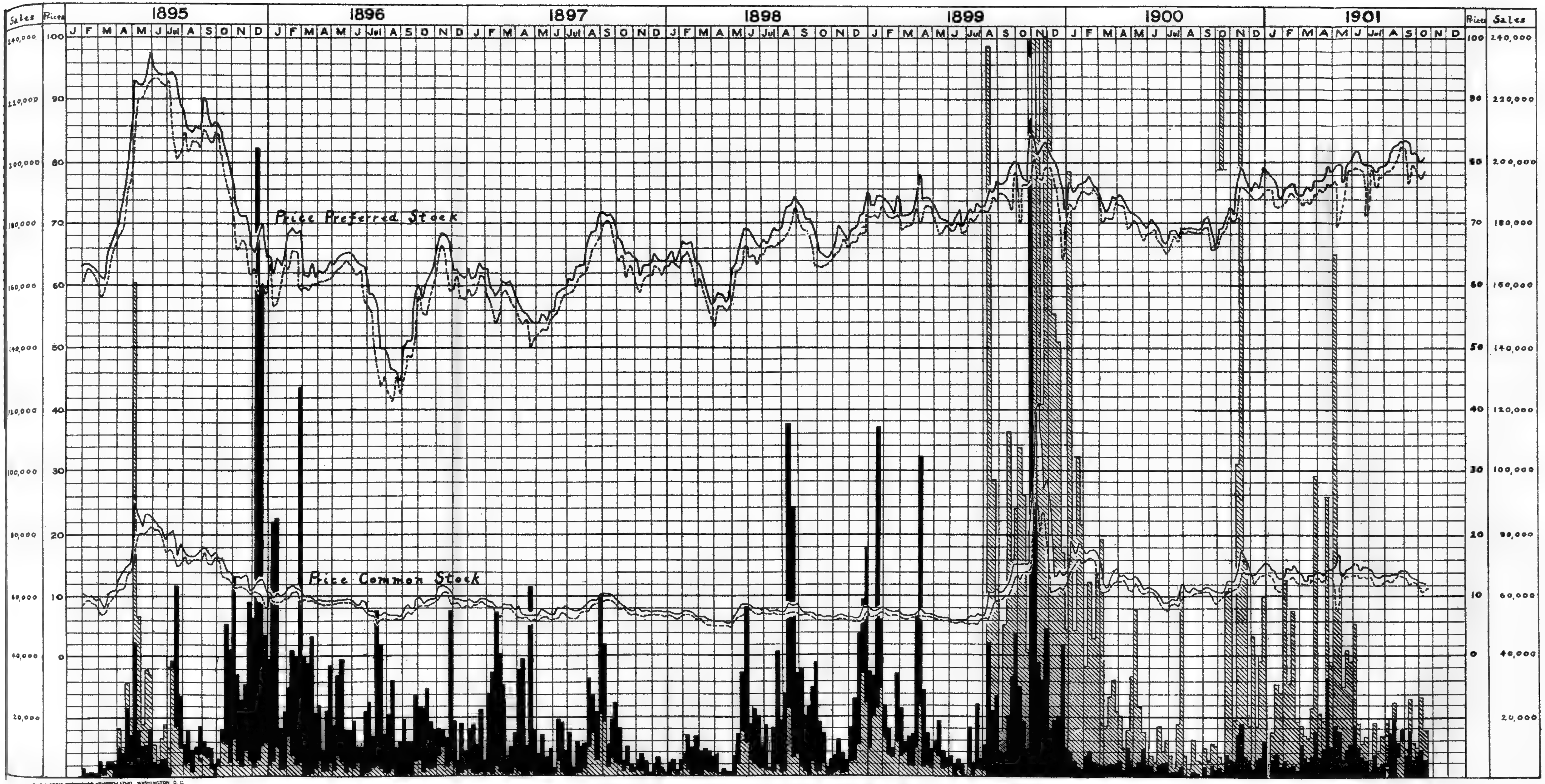
UNITED STATES RUBBER



UNITED STATES RUBBER



UNITED STATES LEATHER CO.

UNITED STATES LEATHER COMPANY.

[Incorporated in New Jersey February 25, 1893; stock originally $60,000,000, common, and the same in preferred, 8 per cent cumulative. In 1895 both common and preferred were increased by $4,000,000, the aggregate of both outstanding being $125,139,600. The company also has a funded debt of $5,280,000. First quoted on the Stock Exchange January, 1895.]

The advance in United States Leather stock during March–May, 1895, accompanied by great activity, was based on a rise in the price of hides, of which the company had a large stock on hand. Strong bull manipulation by a pool, which paid special attention to United States Leather stock, also aided the advance and great activity, not only in May, but later in July again.

The serious and prolonged decline which set in later took place on the announcement of an additional issue of $4,000,000 each of common and preferred stock to meet certain financial liabilities, about which many disquieting rumors circulated and were taken advantage of by bear raiders. Then in the fall came the news that several tanneries were to be shut down, followed in November by the announcement that the company would suspend operations altogether for 60 days, owing to dull business prospects. All this, of course, greatly depressed the stock. In December (1895) the preferred stock became active for a few days on a "rush to cover by shorts on reports of a slight turn for the better in the trade."

Rumors of a very unfavorable annual report in February, 1896, which were presently confirmed in full by the report itself, caused weakness and dullness in the stock until June. The persistence of bad trade conditions, compelling the passing of dividends, then weakened the stock still more, till in August it reached the lowest point in its career. After this, improving trade conditions gave it a turn upward, assisted by a generally reviving business outlook as the result of the elections became assured.

Throughout 1897 United States Leather stock was weak and dull, the fluctuations in preferred following closely the news as to trade conditions, and being little affected by outside developments.

Not until August, 1898, did it again become a feature on the market. At this time the leather trade began to improve and there arose a proposition to pay the arrears of dividends on preferred stock.

In January and April, respectively, 1899, leather became a feature, as the result of clique manipulations by the Keene interests, based on rising prosperity in the leather trade. As this continued to progress through the year, reports of plans for paying off the arrears on preferred stock caused exceptional activity in August, especially in common, and during the closing months of the year (1899). Also there were heavy purchases by the Rockefeller interests late in October and early in November. The next news was that the plans for settling with preferred stockholders had been abandoned, and thereupon occurred declines and heavy selling. The December, 1899, panic also weakened the stock.

Only twice in 1900 did Leather common become exceptionally active—the first early in January, on news of the purchase of the old Shaw tanneries from a formerly competing company, and the second in November, when the whole stock market showed unparalleled activity subsequent to Mr. McKinley's reelection. The sag in price during the midsummer of 1900 was due to the usual depressing influence of uncertainties pending a political campaign.

Periods of special speculation in the shares of the United States Leather Company occurred in November, 1900, and in April and May, 1901, the latter probably being explained chiefly by the general activity of speculation at that time. The prices of common stock did not vary greatly except at the time of the flurry in May, remaining for the most part at about 13 or 14. The price of preferred stock increased greatly from September, 1900, touching 84 in September, 1901.

AMERICAN MALTING COMPANY.

[Incorporated in New Jersey, September, 1897; to consolidate about 20 malting properties. Authorized stock, $15,000,000 of common and $15,000,000 of preferred; actually issued, $14,500,000 of common and $14,440,000 of the latter.]

During the year 1898 American Malting was relatively steady, with small sales, save in August, when there was an upward spurt of some 10 points in preferred and about the same in common, accompanied by exceptional sales. At this time the prospect of a cessation of hostilities with Spain had created buoyancy on the Stock Exchange and loosened money in all directions, which sought investment. Hence "there was large buying for investment in the Grangers, the Vanderbilts, and industrial issues, particularly rubber preferred and American Malting, common and preferred."

The brief advance scored by American Malting toward the close of January, 1899, and unusual activity were attributable to the curious outburst of speculation accompanying an insatiable demand for securities as investments which occurred then. The volume of business on the Stock Exchange then exceeded all precedents.

After this January burst of activity at strong prices American Malting began to weaken, and with the beginning of May a steady decline set in, lasting until July, 1900, when common sold at 3½ and preferred at 20. This was the result of premonitory rumors and suspicions, followed later by the revelation of a very bad state of the company's finances. In their report, on March 5, 1900, the committee appointed the year previously to overhaul thoroughly the company's affairs brought out such facts as these: That the company had gone on declaring dividends upon preferred stock when these had not been actually earned; that it had drawn upon working capital to effect purchases of more plants and for other illegitimate purposes until it had been cut half in two, and that it had bungled its business dealings in other ways, so that, in consequence, it would not be able to pay any dividends at all for at least 8 months (i. e., practically till near the close of 1900).

The slight recovery seen toward the end of 1900 was due to anticipations of a dividend under the better management and to the generally buoyant active condition of the market at that time, subsequent to McKinley's reelection at the polls in November.

The stocks of this company have increased in value since June, 1900, the common stock rising from about 4 to a maximum of 8 in May, 1901, and remaining nearly at the same figures since, while the preferred stock rose from 20 to 30. Except during one week of May, 1901, the amount of speculation in these stocks has been comparatively small.

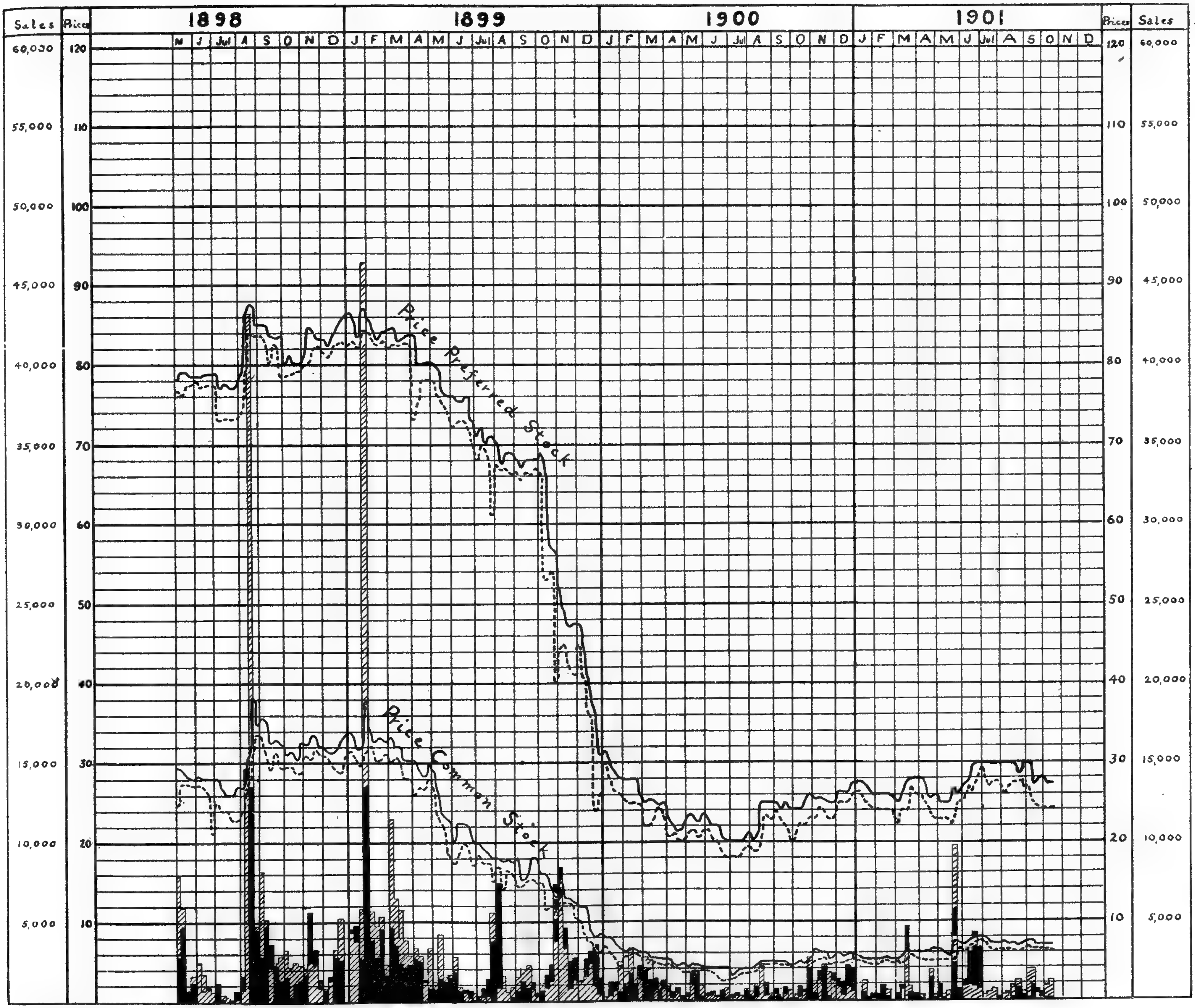
AMERICAN LINSEED COMPANY.

[Formerly National Linseed Oil Company. Authorized stock, $16,750,000 each of common and preferred, all outstanding; also $6,000,000 of bonds.]

The National Linseed Oil Company's stock had been quoted on the Exchange only 2 or 3 months, when in June, 1898, a decline set in, lasting until the end of September and causing a loss of over 18 points. The price then stood at less than $4 per share. This was caused by a critical condition of the company's financial affairs, which had been going from bad to worse for some time.

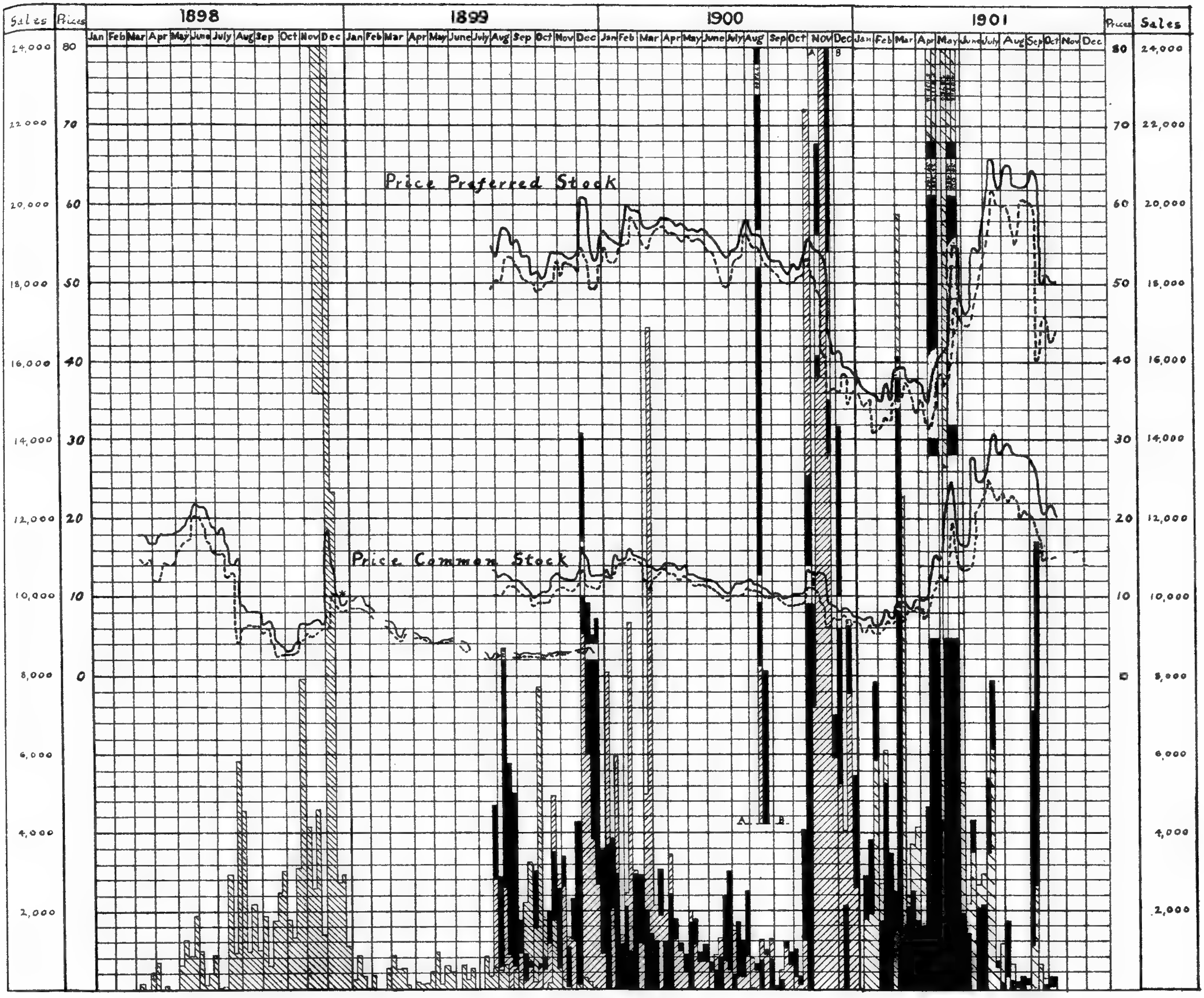
In October, however, rumors of a reorganization began to send the stock up, and by the close of the year it had gained some 7 points net. The first week in December shows a spurt upward of over 12 points, accompanied by sales of 41,720 shares. This is explained by news from Chicago that the new American Linseed Oil Company was to take over the National Linseed, and that it had options on all the plants it wanted.

For a time, while reorganization was in process, linseed oil was little heard of on



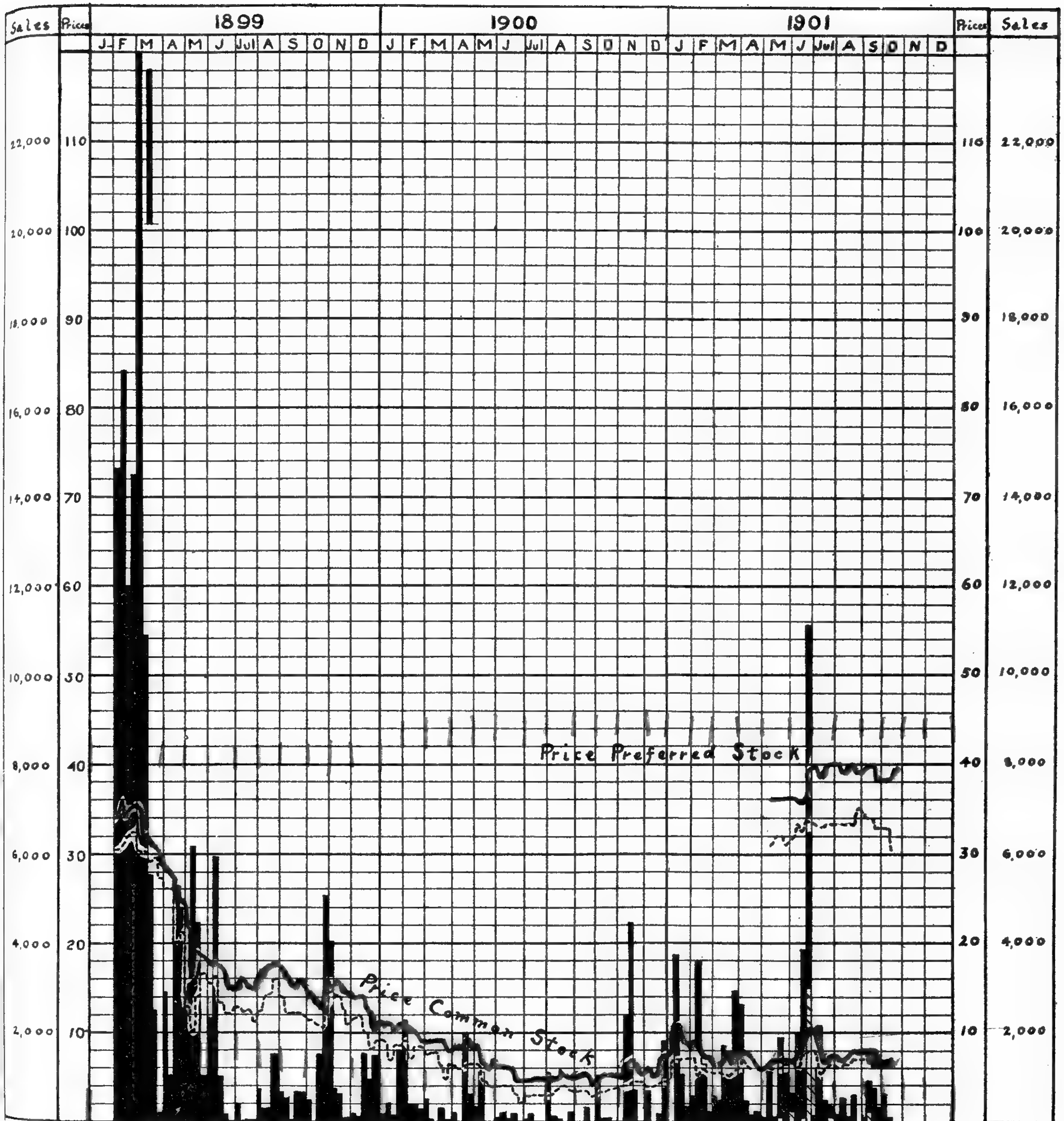
THE NORRIS PETERS CO. PHOTO-LITHO. WASHINGTON, D. C.

AMERICAN MALTING CO.



AMERICAN LINSEED OIL CO.

*On Dec. 5, 1898, the American absorbed the National Linseed Oil Co.



THE NORRIS PETERS CO., PHOTO-LITHO. WASHINGTON, D. C.

INTERNATIONAL SILVER

1899 1900 1901

the Stock Exchange, but the shares of the new American Linseed Company came into more prominence by the end of July, and both preferred and common show considerable transactions in August and again in December of 1899. In the former month this stock was being freely dealt with in Chicago, and the company's earnings were reported large. News of this came to New York and caused increased activity there. In December reports came that the company was negotiating for the purchase of an important competing concern; also that the company's earnings were turning out to be excellent. Consequently while the panic of that month caused some fluctuation in this stock, yet it suffered comparatively little.

The strength and activity of Linseed Oil during the first few months of 1900 were due to the information that in addition to paying the 7 per cent dividend on preferred the company had earned about $2,000,000 surplus, out of which many believed a dividend on common would soon be declared. It suffered remarkably little from the depression which affected nearly all industrials during the middle of 1900, and with the great burst of speculative activity and investment buying about election time and thereafter American Linseed Oil became exceedingly active at strong prices.

But in November, and especially December, 1900, there was decline, and large sales accompanied it. "So far as can be traced, the causes were simple. One of them was the free selling, directed with particular insistence against the industrials, apparently undertaken by an organized group of operators for a decline. Another cause was the fact that most of the commission-house business consisted of liquidation. A third was the lack of any outside demand to absorb traders' offerings." There came the news that the directors had passed the quarterly dividend due on preferred in order to apply the surplus funds in hand to the payment of obligations incurred in purchasing flaxseed in great quantity. This news caused a sharp drop in Linseed Oil in December, and free selling.

There was a very marked increase in the sales of the stocks of the American Linseed Company and in their prices during April and May, 1901. Large purchases of the stocks were made by John D. Rockefeller and his associates, and a change in the control of the company was brought about. About the same time a movement for the consolidation of this company with the Union Lead and Oil Company was on foot and contributed largely to the activity. Although a consolidation was not effected, it was announced that a harmonious arrangement between the two had been brought about, and a temporary drop in the price at the close of May was followed by a rapid advance. The common stocks, which had stood at less than 10 at the beginning of 1901, rose to 30 in July, while the preferred stocks rose from 35 to 65. A very sharp fall in the prices of both kinds of stocks appears in September, 1901. This was due to a most unfavorable report presented at the annual meeting, showing that of the $5,000,000 cash working capital provided at the organization in December, 1898, only $2,947,045 remained. It was stated that a loss for the first year was balanced by increasing the inventory value of the plants.

INTERNATIONAL SILVER COMPANY.

[Incorporated in New Jersey in November, 1898; acquired silver-plating properties controlling over 70 per cent of the output in the United States; also has a large sterling silver output. Common stock, $9,944,700 outstanding, and $5,107,500 preferred.]

This is relatively quite an insignificant company, and, although upon its first introduction upon the Stock Exchange it was heavily dealt in by a speculative pool, it was soon dropped and fell out of notice. Its stock then declined with few interruptions till the close of 1900, and became almost dead on the market, presumably owing to its failure to make any dividends, since none were paid throughout the period under review—1899–1900.

There were no sales of the preferred stocks of the International Silver Company in the New York market until May, 1901, when some few were made, while in other

weeks prices were bid and asked without actual transactions. The black vertica lines in the diagram represent accordingly the sales of common stock, and not, as ir most of the other diagrams, those of preferred. There has been somewhat more dealing in the stocks of this company during the past year than for some time previous, but it is not an important feature of the market. The price of common stock has remained almost constantly below 10.

UNION BAG AND PAPER COMPANY.

[Incorporated in New Jersey, February 27, 1899; a consolidation of over 90 per cent of the paper-ba business of the country; stock, $16,000,000 of common and $11,000,000 of 7 per cent accumulativ preferred, all outstanding.]

This company's stock appeared on the Stock Exchange in March, 1899, at a tim when the market was extremely confident and buoyant, with tremendous activit especially in the industrial group. Union Bag and Paper stock was received we and figured at good prices.

Throughout its career, during 1899 and 1900, the company continued to pay regul quarterly dividends on preferred and to accumulate a surplus besides, though noth ing was paid on common, the directors deciding to lay up a strong reserve fund firs Common therefore declined almost continuously as quarter after quarter passe without any dividend, the only interruptions being those where advances we manipulated by cliques on rumors of a dividend for common.

With regard to the ups and downs of Union Bag and Paper stock, it seemed to fo low the fortunes of the industrials as a general group, subject to the larger forces ac ing within and upon that group, since there was never any special news concerni this company that can be found among the stock market reports. The fluctuatio of the preferred stock line in the chart reflect pretty faithfully the average of t general vicissitudes of the industrial group during 1899–1900.

The price of the common stock of the Union Bag and Paper Company rose qui markedly in October and November, 1900, reaching 20. Thereafter it fell off, b remained at a somewhat higher general level than during the summer of 1900. T preferred stock paralleled the course of the common stocks, remaining at about throughout 1901.

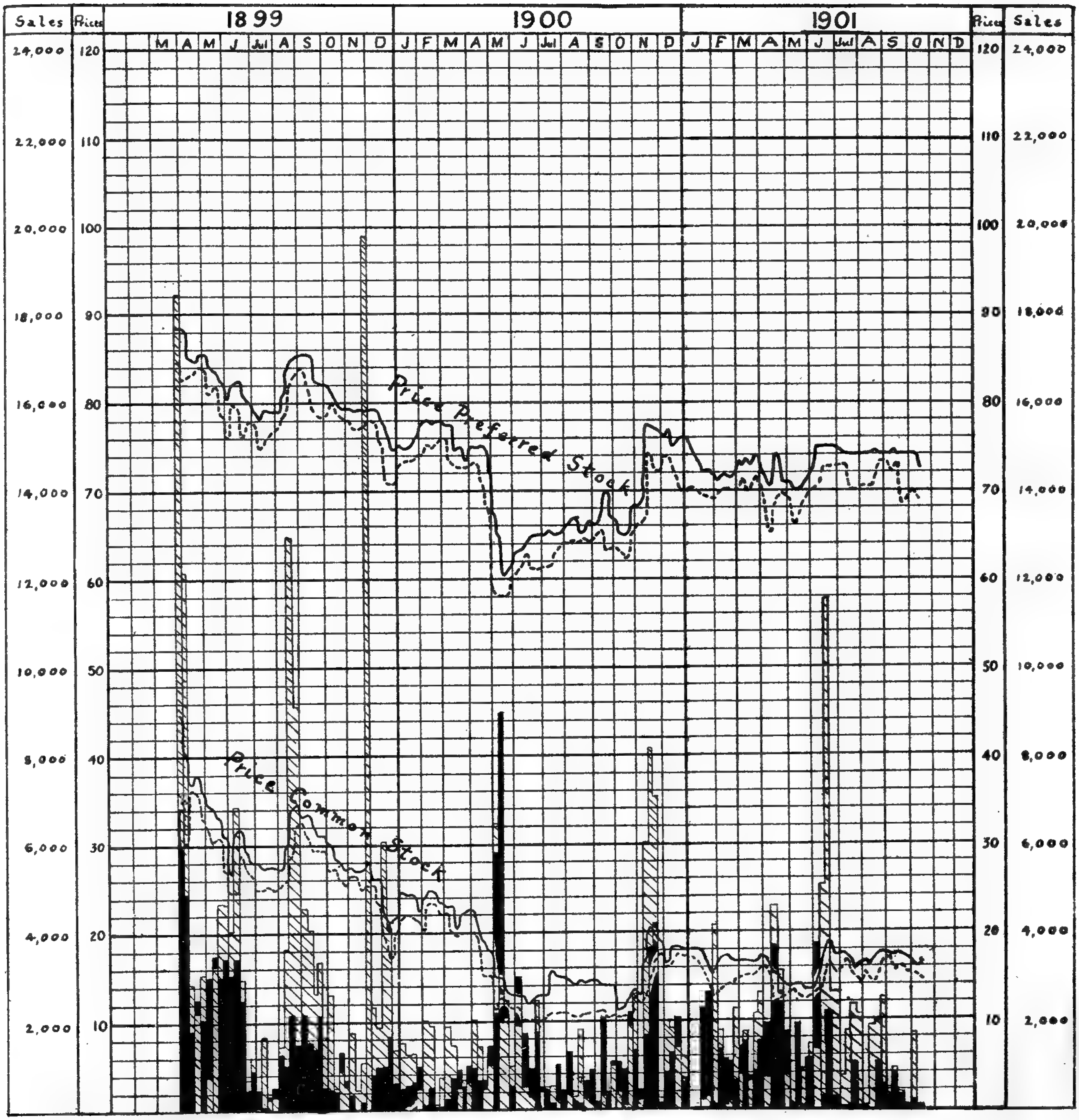
GLUCOSE SUGAR REFINING COMPANY.

[Incorporated in New Jersey, August 3, 1897; authorized stock, $26,000,000 of common, entitled to 7 cent dividends after the $14,000,000 preferred has received 7 per cent, and thereafter all extra pr to be equally divided between common and preferred. The total stock outstanding is $37,665, First quoted on the New York Stock Exchange in December, 1898.]

On the first appearance of this stock on the market in December, 1898, and dur the early months of 1899, especially in March, there was unusual trading in shares, due to the remarkable activity of that period, when the industrial prospe of the country was very great, speculation lively, and the public demand for stocks all but insatiable. There were no developments peculiar to Glucose Sugar Refin stock at this time.

In October, 1899, a noticeable decline was caused by an adverse decision of Illinois supreme court, to the effect that the company's option on the Peoria refin was illegal under the antitrust law, and could not be held valid. Under this setb to its plans the company's stock weakened decisively.

Throughout 1900 the company paid dividends at the rate of 7 per cent on prefer and 6 per cent on common regularly, and was generally in a sound condition. T movements of Glucose Sugar stock were therefore only such as reflected gene conditions on the market.



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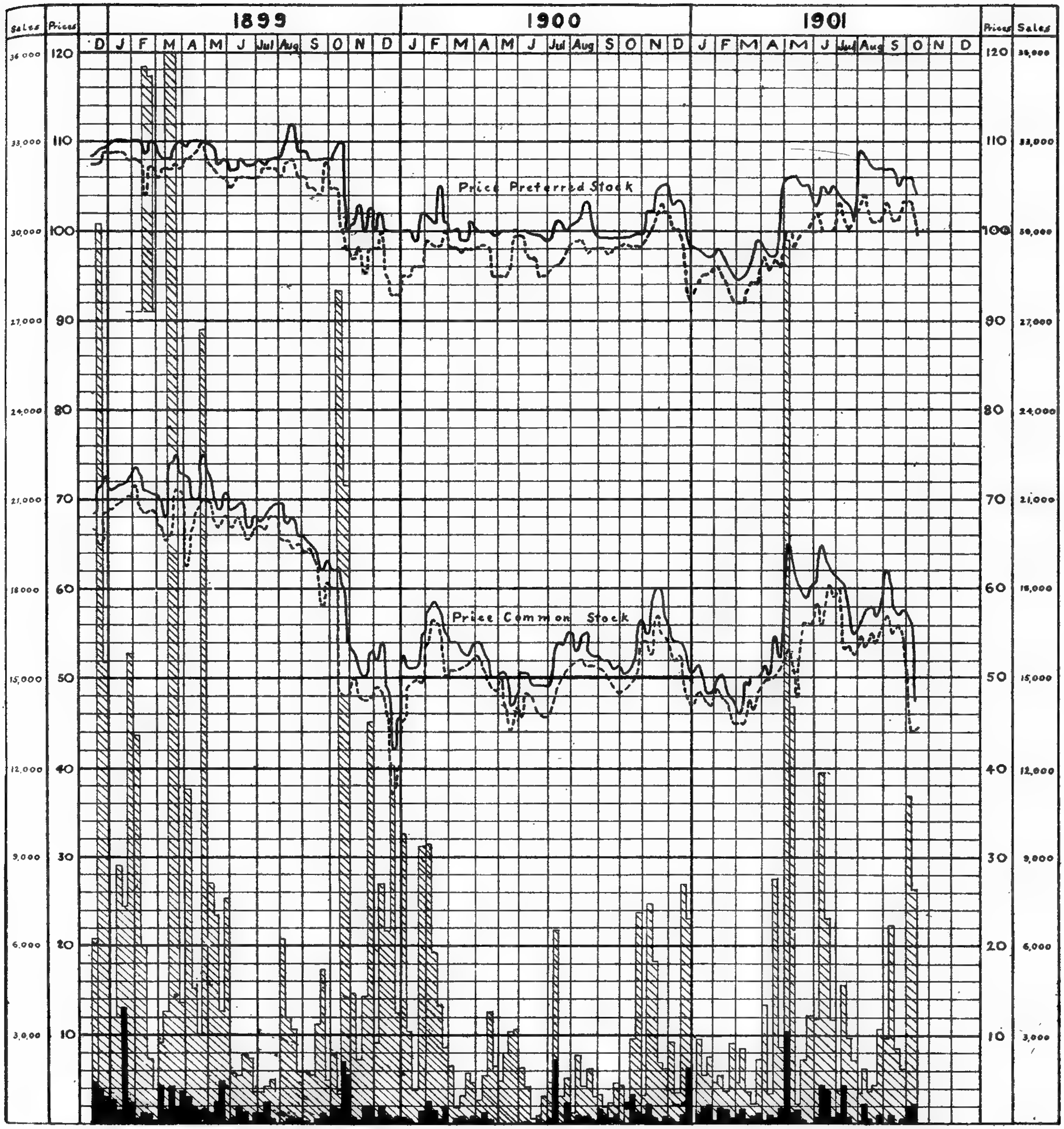
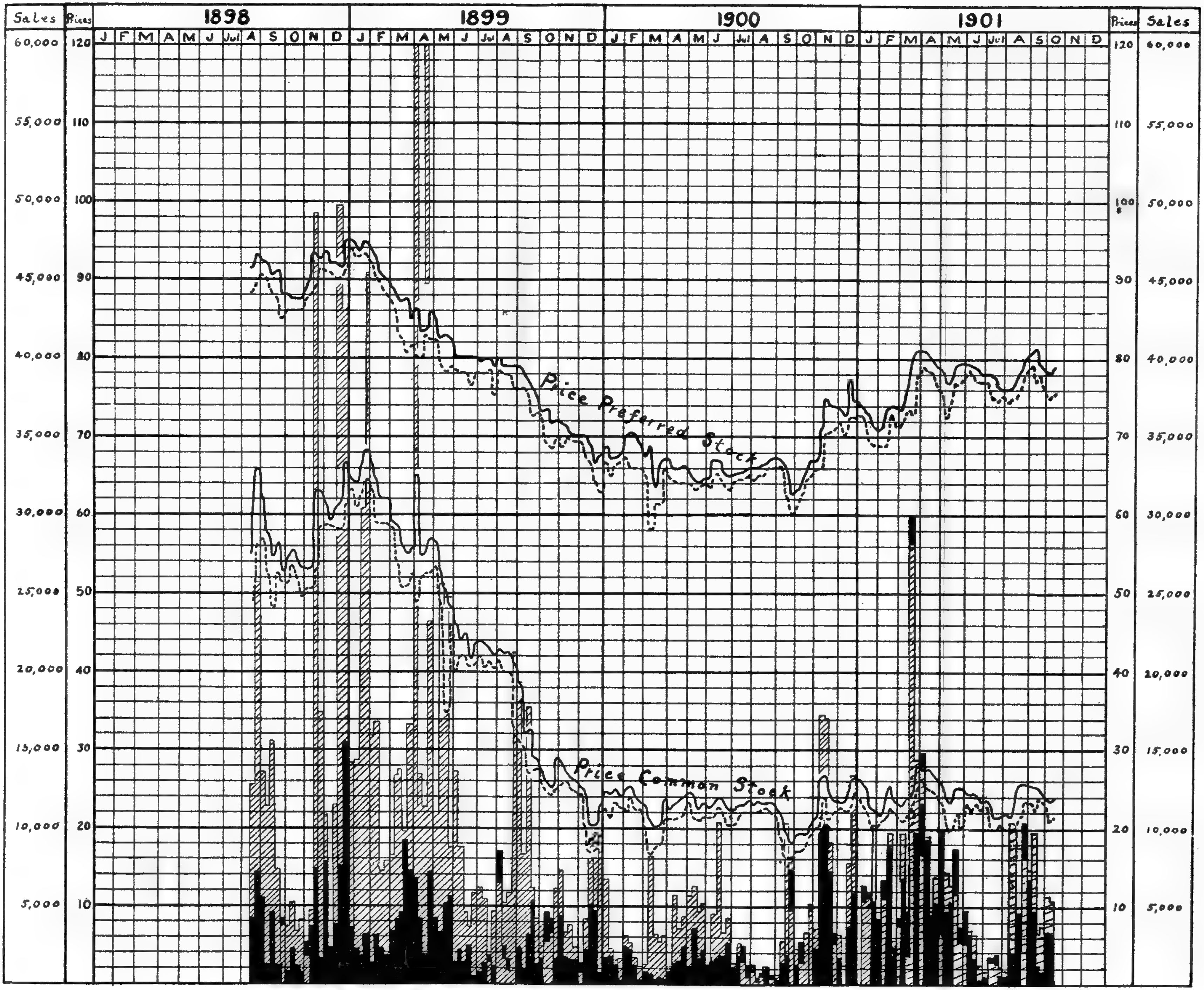
UNION BAG & PAPER CO.

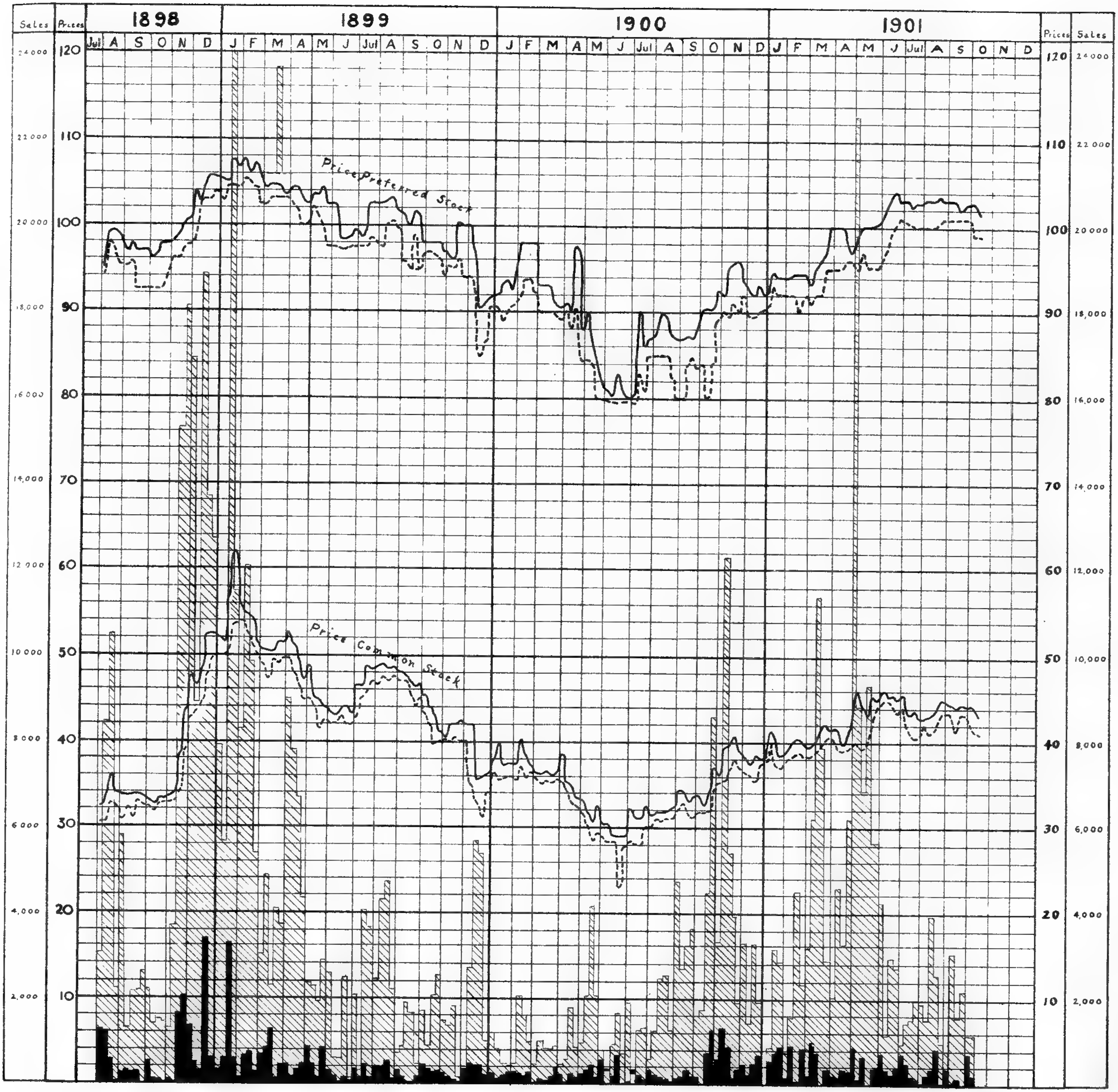


THE NORRIS PETERS CO., PHOTO-LITHO., WASHINGTON, D. C.

GLUCOSE SUGAR REFINING



INTERNATIONAL PAPER



NATIONAL BISCUIT CO

Under the influence of the general speculative movement of the spring of 1901, the price of common stock of the Glucose Sugar Refining Company rose as high as 65 in May and June. Thereafter it fell off somewhat, while in the beginning of October a sudden decline of more than 10 points took place.

INTERNATIONAL PAPER COMPANY.

[Incorporated January 31, 1898; took over by purchase 25 per cent of all the pulp and paper mills in the United States, producing from 75 to 90 per cent of all newspaper manufactured east of Chicago. Stock outstanding, $22,406,700 of preferred and $17,442,800 of common; bonds, $13,057,500.]

Throughout its career this company has paid dividends upon preferred stock regularly, and also on common except during a depression in its business which set in during 1899. It was apparently a well-managed industrial enterprise, and quite free of any abnormal events in its own affairs such as might have tended to affect its stocks on the market.

Hence the fluctuations in price and number of sales of International Paper stock were mainly those caused by forces and movements influencing the stock market generally. But it is true that this stock was largely held by the Flower interests, and was at times affected sympathetically by events among the other Flower stocks. In particular, for example, the death of ex-Governor Flower, in May, 1899, caused a decline in International Paper stock, and free selling along with all those lines of stock held by Mr. Flower. Slight ups and downs in the paper trade also, of course, would explain some of the movements in this stock.

The stocks of this company show no specially significant movement during 1901. The common stock fluctuated between 20 and 28, while the preferred stock stood at between 70 and 80. The amount of dealing in stocks was moderate in view of the general strong speculative demand during the first few months of 1901.

NATIONAL BISCUIT COMPANY.

[Organized early in 1898; stock, $30,000,000 of common ($29,236,000 outstanding) and $25,000,000 of preferred, 7 per cent cumulative ($23,825,100 outstanding).]

This company has paid dividends regularly on preferred throughout, and also on common at 4 per cent per annum as soon as sufficient time had elapsed for a safe surplus to be accumulated. It required some time for the company to establish a reputation for soundness, and hence for some 8 or 9 months its stock was more sensitive to various favorable or unfavorable influences on the stock market than afterwards, when it settled down to great relative steadiness in price and sales. Such a stock tended to gravitate largely into the hands of investors and stay there, being thus removed from speculative manipulation.

The large activity in National Biscuit shown for November–December, 1898, and the next January, as on the other hand the comparative weakness in the spring of 1899, were simply reflections of the effects felt by all the industrial stocks owing to causes already frequently pointed out in other connections. Such has been, in fact, the case with National Biscuit throughout, and examination of the various sources of information reveals nothing of special interest in regard to the career of this stock other than the above general facts.

The steady prosperity of the company is reflected in the gradual increase in the value of its stocks. The common stock rose from 30 in the middle of 1900 to 46 in the middle of 1901, and remained practically stationary thereafter, while the preferred stock has risen to above 100 and remained stationary. Under the influence of the general speculative movement of early 1901 a considerable amount of trading in this stock was manifested.

WESTERN UNION TELEGRAPH.

There were no movements connected with this stock not due to general outside causes until February, 1892, when sharp advances, with exceptional activity, took place on the final subsidence of all immediate fears as to the establishment of Government telegraphs. With good business and considerable buying for investment the stock continued to advance till September, when a downward movement ensued upon news that the directors had voted an increase of stock to $100,000,000, without vouchsafing any information as to how the increase was to be applied. Then in November the Gould stocks, inclusive of Western Union, all suffered decline on the illness and death of Mr. Jay Gould, especially as bear raids were made on the strength of that event. Reports in December, on the other hand, that certain large banking interests were seeking control of the stock sent its price up.

In January, 1893, the stock became a feature on the market for a time, owing to the execution of orders, it was said, by institutions prohibited by law from buying any stock that sells below par. For the rest of the year the only occurrences connected with Western Union stock not due to general conditions were an advance in October-November, with large sales, due to large buying by investors as well as by a pool, followed quickly by a break on the execution of stop orders for account of those who had been following the pool. The stock also yielded again in December to heavy bear attacks.

Nothing conspicuously important then took place in Western Union until November–December, 1895, when a decline and heavy selling occurred, partly because of generally depressing influences just then, but largely because of a decision of the United States Supreme Court, which held that the Union Pacific road had no right to make a lease giving the Western Union a monopoly along its lines. Some recovery followed in December, however, on the news of increased earnings and the payment of the usual quarterly dividend.

In 1896 Western Union yielded to the depressing influences of election uncertainties, and rallied again as the result of the campaign became assured.

In 1897 the stock was severely affected by the United States Supreme Court decision on the long-standing Trans-Missouri Freight Association case, to the effect that the antitrust law applies to railroads as well as other concerns. Startled by this, the stock market weakened and there was much disorderly speculation. A contest for control between George J. Gould and Russell Sage, who had fallen out over some matter, explains a sudden rise and great activity in Western Union stock in May, 1897. During the remainder of the year Western Union advanced on general prosperity till September, when some natural reaction from boom prices took place, leaving the stock quiet thereafter.

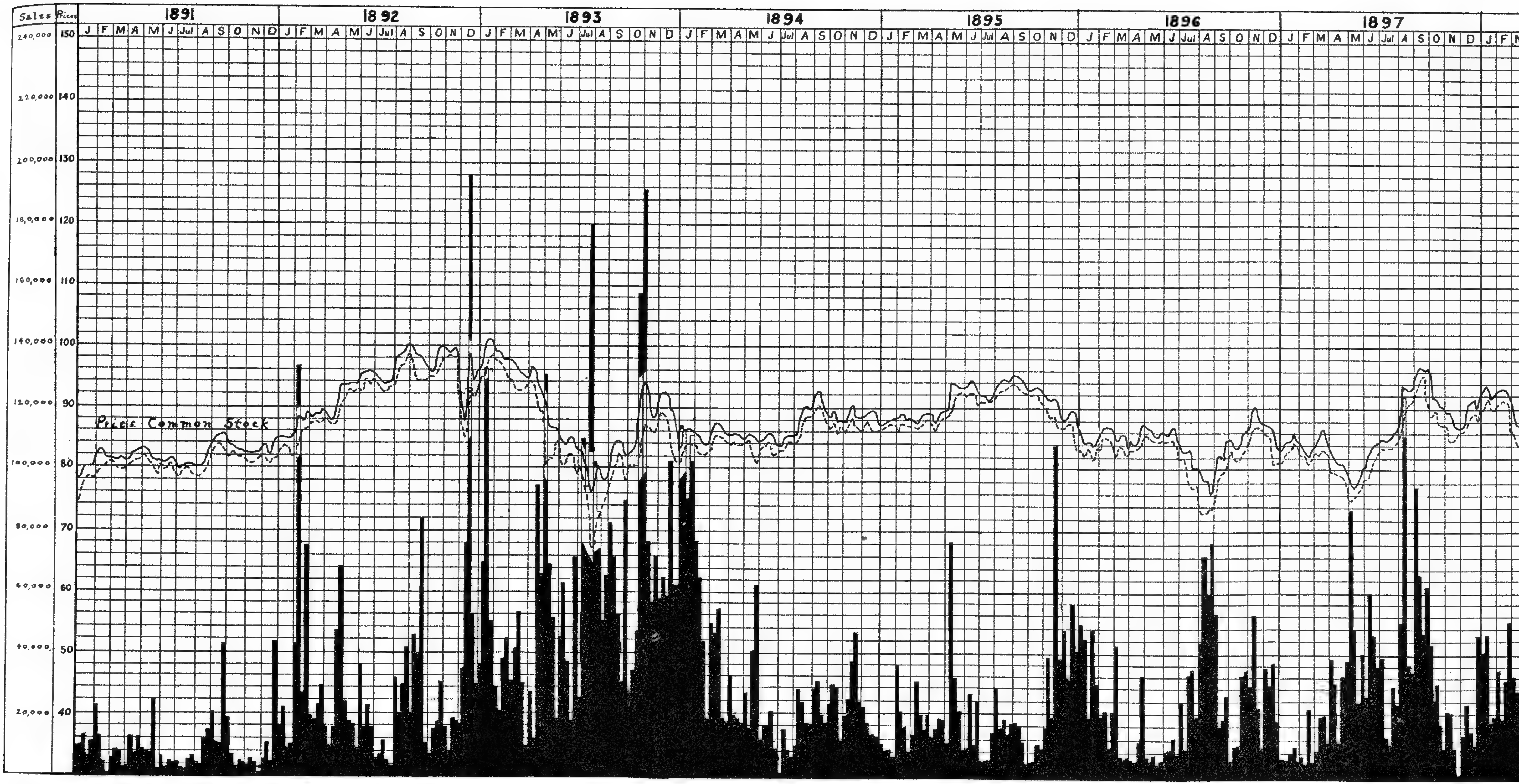
During the years 1898, 1899, and 1900 Western Union was pretty closely held, and its fluctuations in price were for the most part simply in response to general forces influencing the stock market, nothing occurring requiring explanation of an instructive nature.

The general speculative fever at the beginning of 1901 considerably increased the sales of the shares of the Western Union Company, while the price went up to a maximum of 100 just prior to the crash in May. Since that time the stock has ranged between 90 and 95 for the most part, and speculation has been moderate.

SECURITIES OF RAILROAD COMPANIES.

NEW YORK CENTRAL AND HUDSON RIVER RAILROAD.

The rather serious decline of over 10 points in this stock during the last half of 1890, with considerable selling especially in November, was partly due to general causes, but more particularly to the strike on this company's lines, which cost it so dearly as to raise doubts whether the next usual dividend would be paid.



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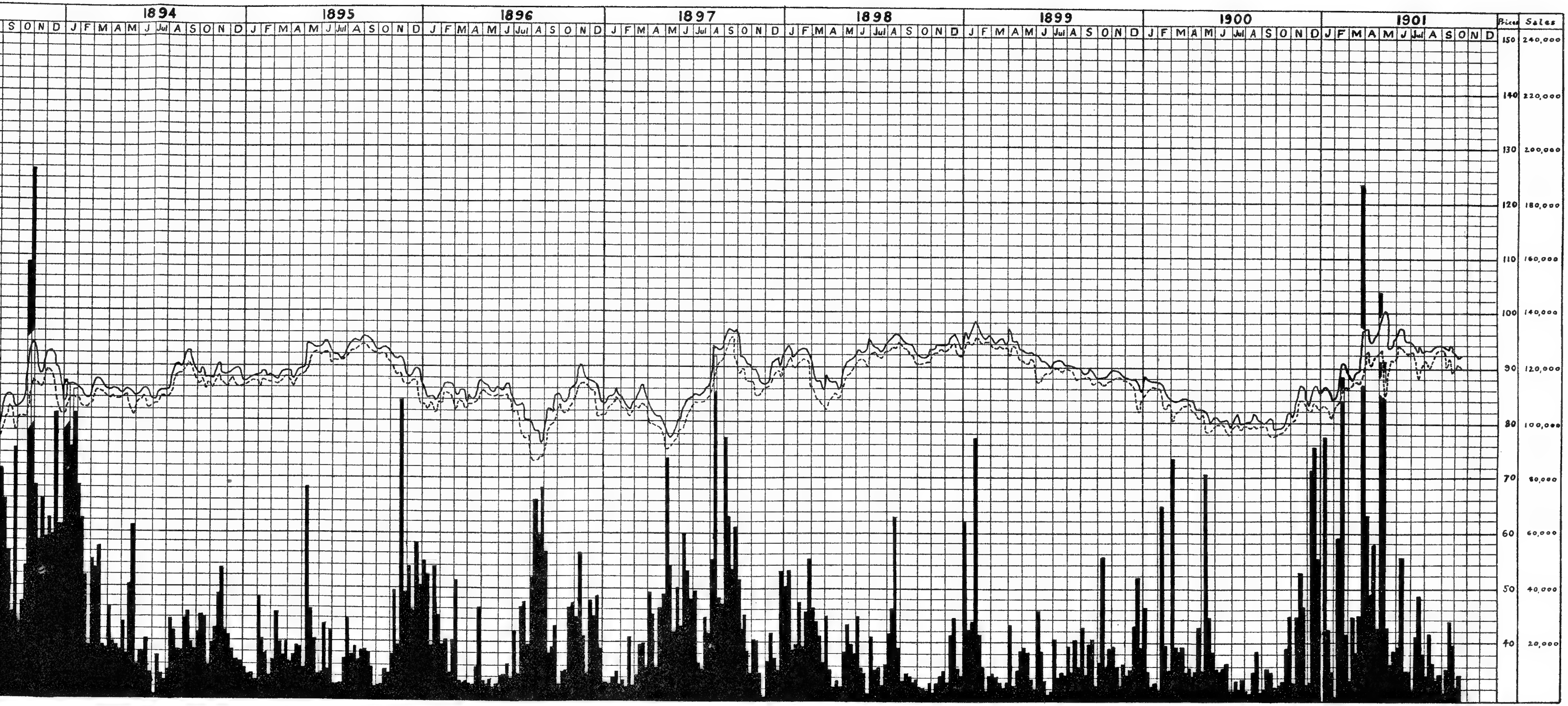

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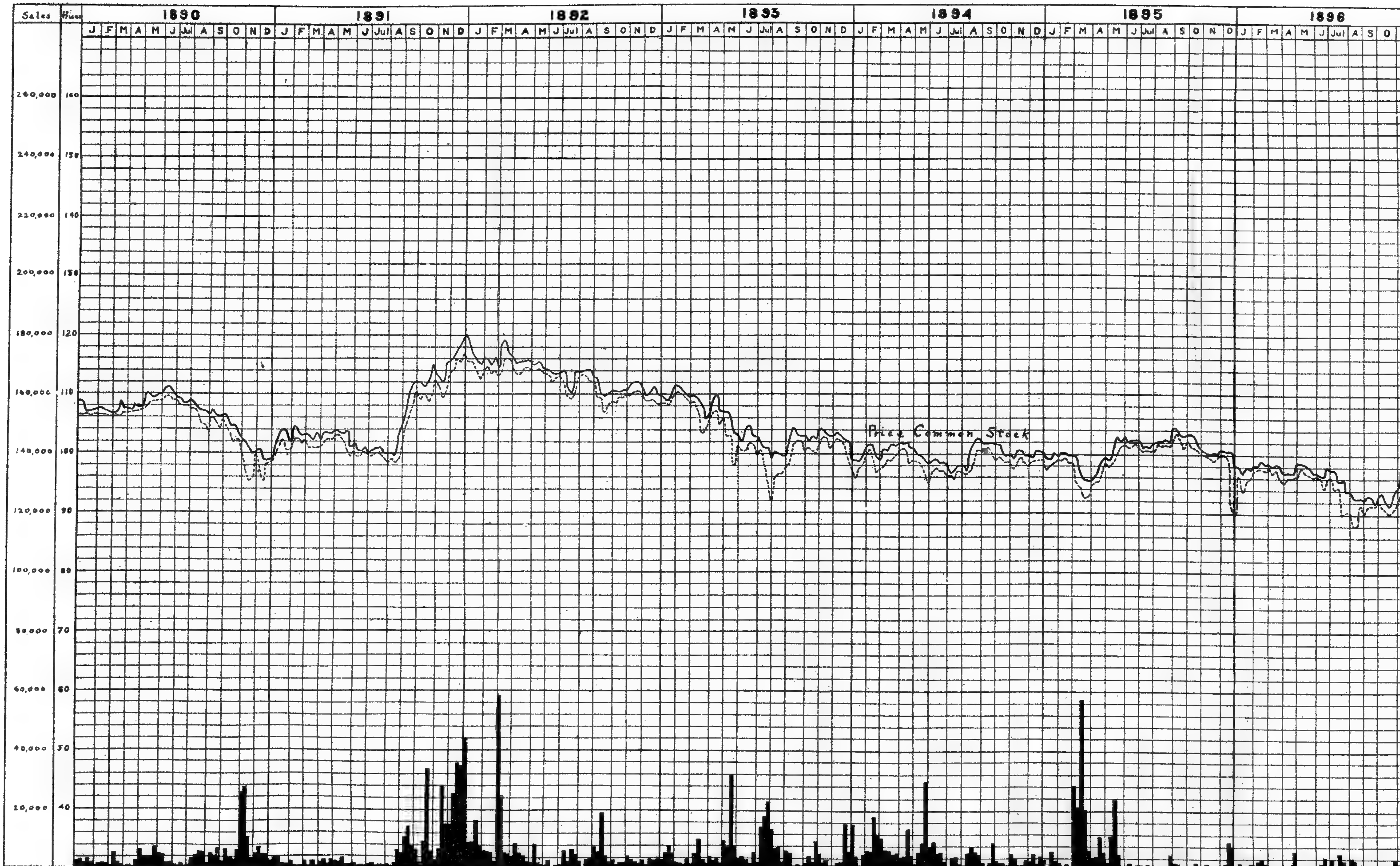
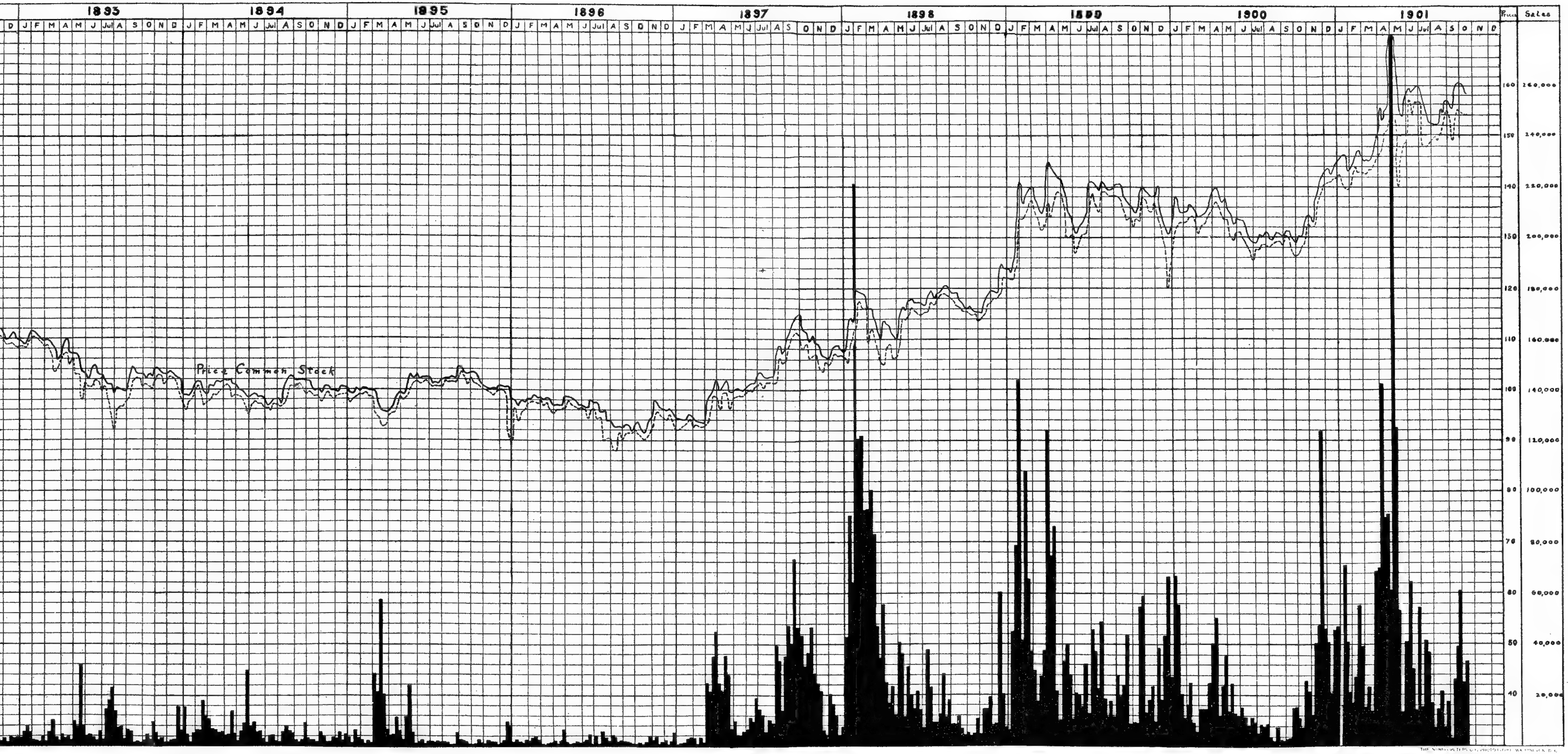
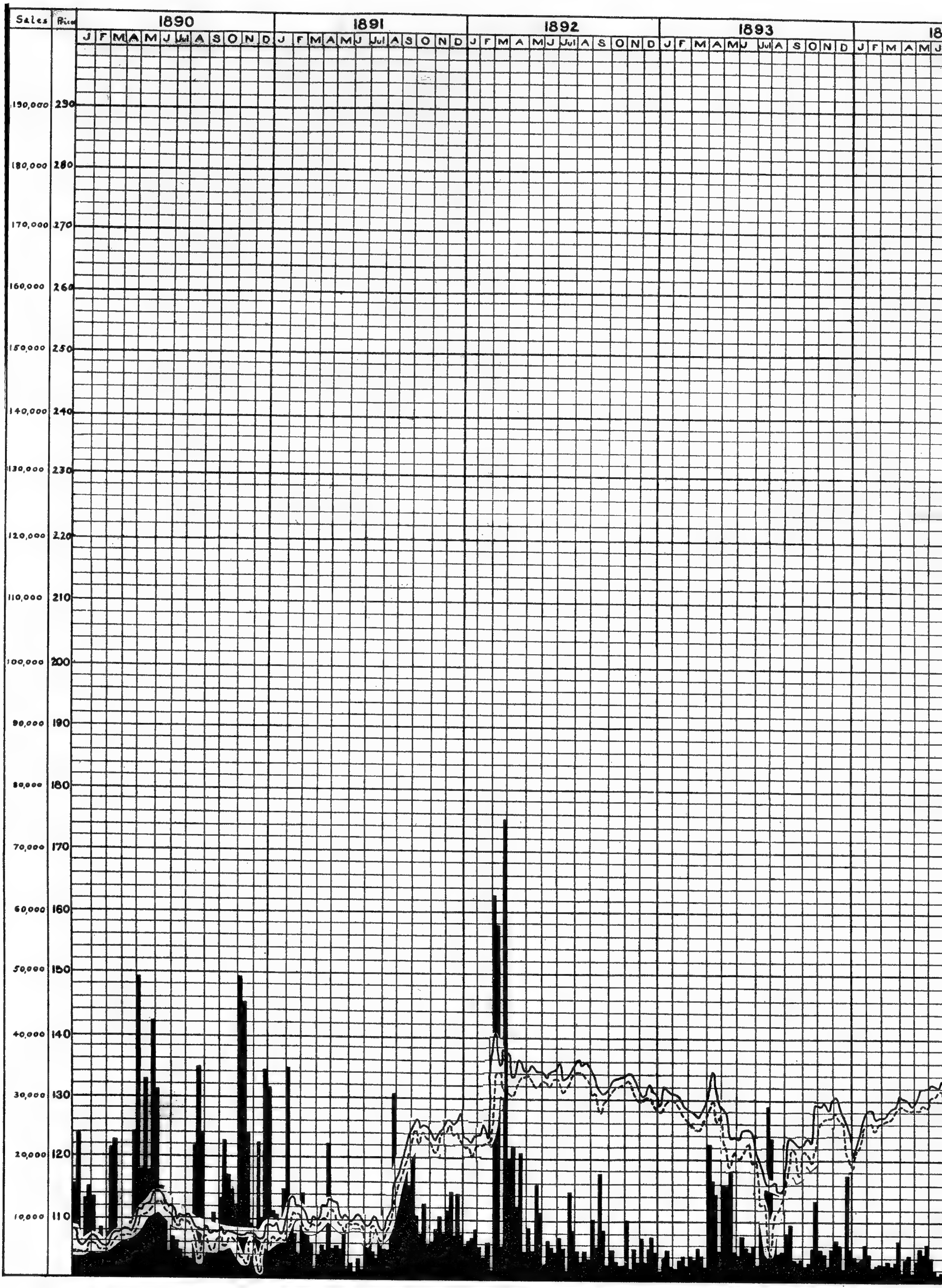


NEW YORK CENTRAL AND HUDSON RIVER RAILROAD



NEW YORK CENTRAL AND HUDSON RIVER RAILROAD COMPANY.



Sales
Price
1890
1891
1892
1893
J F M A M J Jul A S O N D
190,000 290
180,000 280
170,000 270
160,000 260
150,000 250
140,000 240
130,000 230
120,000 220
110,000 210
100,000 200
90,000 190
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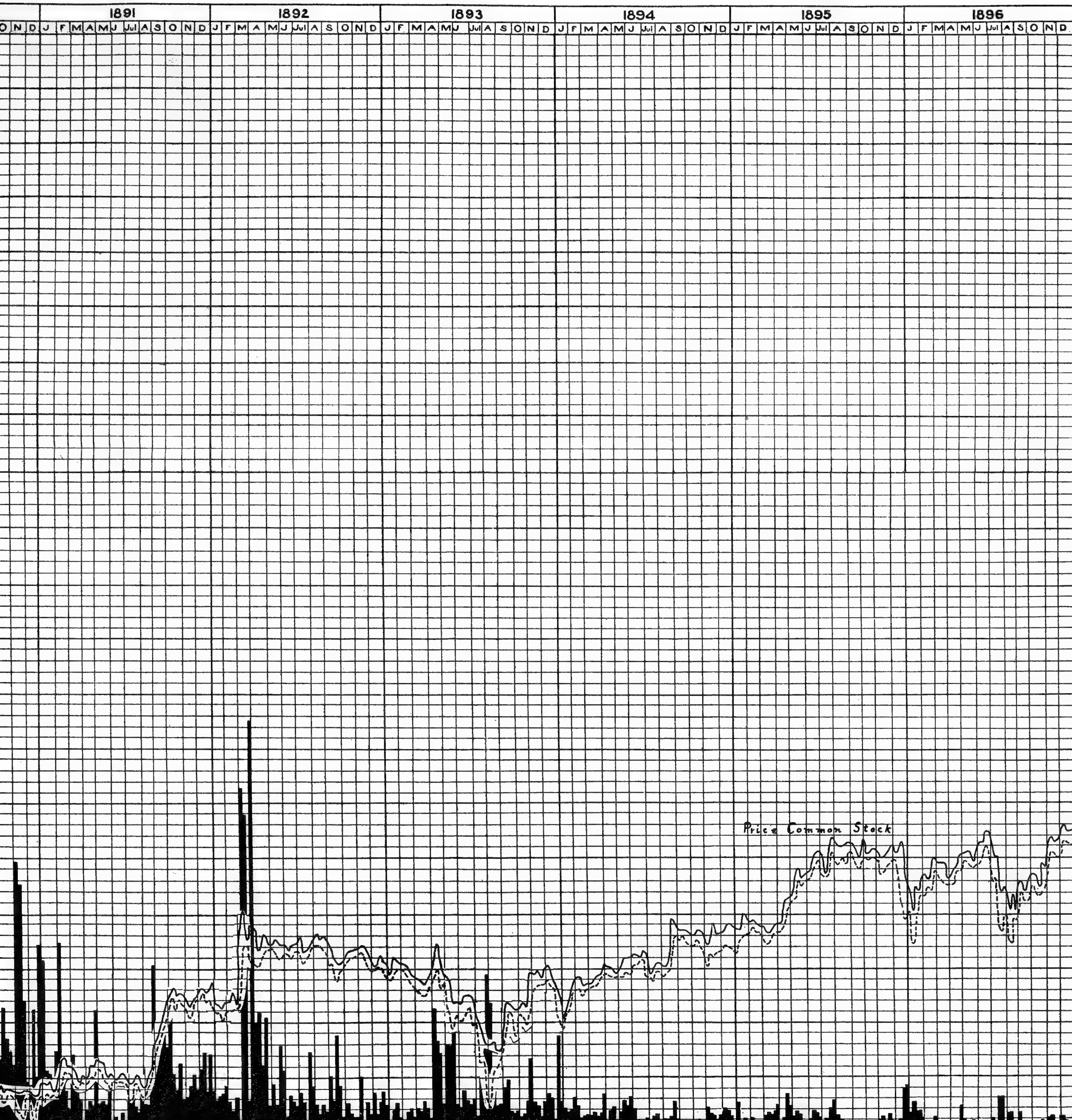
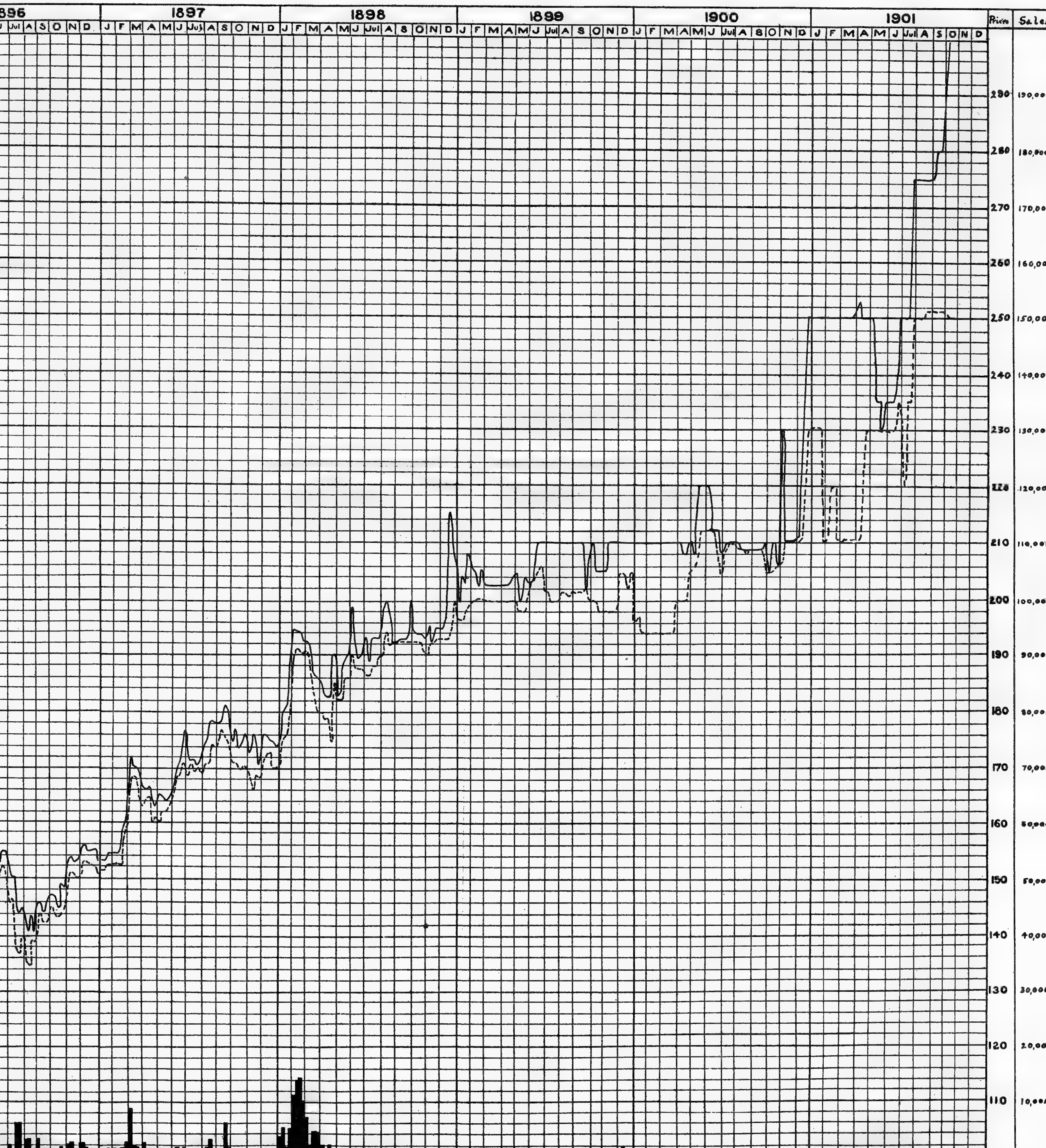
30,000 130
20,000 120
10,000 110



LAKE SHORE AND MICHIGAN SOUTHERN R



THERN RAILROAD

The advance of some 20 points in the latter half of 1891 was based on heavy grain traffic earnings, brought about by a great scarcity in cereals abroad, while a very large crop was produced in this country. An extra dividend was declared at the close of the year.

In January, 1892, the stock declined somewhat on news of a serious accident on the road, but in March it scored an advance on rumors of a combination with the New England Railroad.

The movements for 1893 depicted on the chart were almost wholly due to the adverse conditions of that year generally.

It is to be noted that from the middle of 1893 till past the middle of 1897, a period of over four years, New York Central stock did not fluctuate over 5 points up or down from par, save in 1896, under the depression pending the issue of the Presidential campaign of that year.

In March, 1897, the remarkable success of the Lake Shore in refunding $50,000,000 of bonds at lower interest rates strengthened railroad stocks, and New York Central is seen to have advanced some 6 or 8 points. Again in November and December, 1897, it advanced rapidly in view of favorable progress by the company in refunding, and of the generally prosperous conditions of the time, reflected in increased railroad earnings.

The upward jump of 12 points in January, 1898, accompanied by enormous trading, was caused by reports of the approaching alliance with the Lake Shore system, which would secure good western connections and outlets. This alliance was perfected gradually by exchange of securities.

Again, in the first quarter of 1899, there was tremendous trading in New York Central, and a striking advance in price, due to the remarkably prosperous conditions everywhere and to an insatiable public demand for good investment securities. In December, 1899, a loss of 9 points took place under the temporary panic of that month.

In 1900 the usual sag in price appeared pending the outcome of the national elections, but it was followed by heavy gains and great activity immediately thereafter.

The influence of the general speculative movement in railroad stocks during the early part of 1901 was shown to some extent in the New York Central stock, the trading in it during April especially being larger than it had been for years before. The price rose from about 130 in October, 1900, to a maximum of 154 just prior to the temporary collapse of the second week in May. It rapidly recovered after the May decline, and reached a still higher point in June, after which time it fell slightly, but remained at practically the same level with relatively slight dealing.

LAKE SHORE AND MICHIGAN SOUTHERN RAILROAD.

In 1890 three periods of unusual trading in this stock occurred, which are to be explained as follows: In May there was an advance, due to general buoyancy of the market, but especially to heavy buying in London; in August, on the other hand, there was a decline with free selling, arising from the depression in all Vanderbilt stocks on the occurrence of the strike on New York Central lines, as well as from general anxiety over financial difficulties in the Argentine Republic; finally, in November came the famous embarrassment of the Baring Brothers in London, which unsettled the market greatly, and also disturbing rumors that New York Central would pass its next dividend, all of which affected Lake Shore stocks unfavorably along with others. But on the unexpected declaration by this company of 4 per cent instead of 3 per cent semiannual dividend in December the stock jumped up sharply and was very active for about two weeks.

The exceptional activity in February, 1891, with advancing price, was based on good earnings, as also was that of August to October, when the fine grain crop furnished heavy traffic.

The remarkable trading in this stock for March, 1892, with an advance of so 16 points, took place on reports that Mr. Vanderbilt had been elected president the New England Railroad, together with numerous rumors of consolidations, wh greatly excited the railway stock market. There were also reports of a stock di dend to be issued, representing betterments effected during several years previou

Lake Shore stock shows the usual fluctuations for 1893, due to general conditio

It is notable that from 1894 to 1900, inclusive, the average tendency of this st was upward, and that the holders seem to have sold little, since weekly sales ne reached 10,000 shares throughout the period.

In the second quarter of 1895 a marked advance took place on expectation of be fit from the agreement among the trunk lines, while at the close of the same y there was a temporary decline, caused by the Venezuelan message and fears of imn diate war with Great Britain.

As usual, in 1896 some decline occurred during the Presidential campaign.

Early in 1897 came a demand for Lake Shore stock, along with all the Vanderbil yet very little comparatively was offered for sale, and hence a sharp advance to place. This demand arose chiefly on news of the successful negotiation of $50,000,(bonds at lower interest.

In January, 1898, the advance was caused by the rumors of combination with N York Central, already mentioned under the latter heading. Toward the close of tl year Lake Shore scored rapid advances, partly owing to the great general prosperi and heavy investment demand, but also, it was said, to the fact the Vanderbilt int ests just then endeavored to get firmer control of the road, so as to avoid friction wi the minority stockholders.

In 1899 and 1900 the stock was closely held and did not figure prominently the market. Such fluctuations as did occur were due to causes already pointed o under "New York Central Railroad."

The speculative movement and that toward railway consolidation, which was marked during 1901, affected materially the values of the stock even of this compan although the trading in it continued to be, as before, exceedingly small. The appa ent difference between the highest and lowest prices is due primarily to the fact th offers were made only at the higher and bids only at the lower, with practically transactions. The price demanded for Lake Shore stock rose to no less than 300 October, 1901.

DELAWARE, LACKAWANNA AND WESTERN RAILROAD.

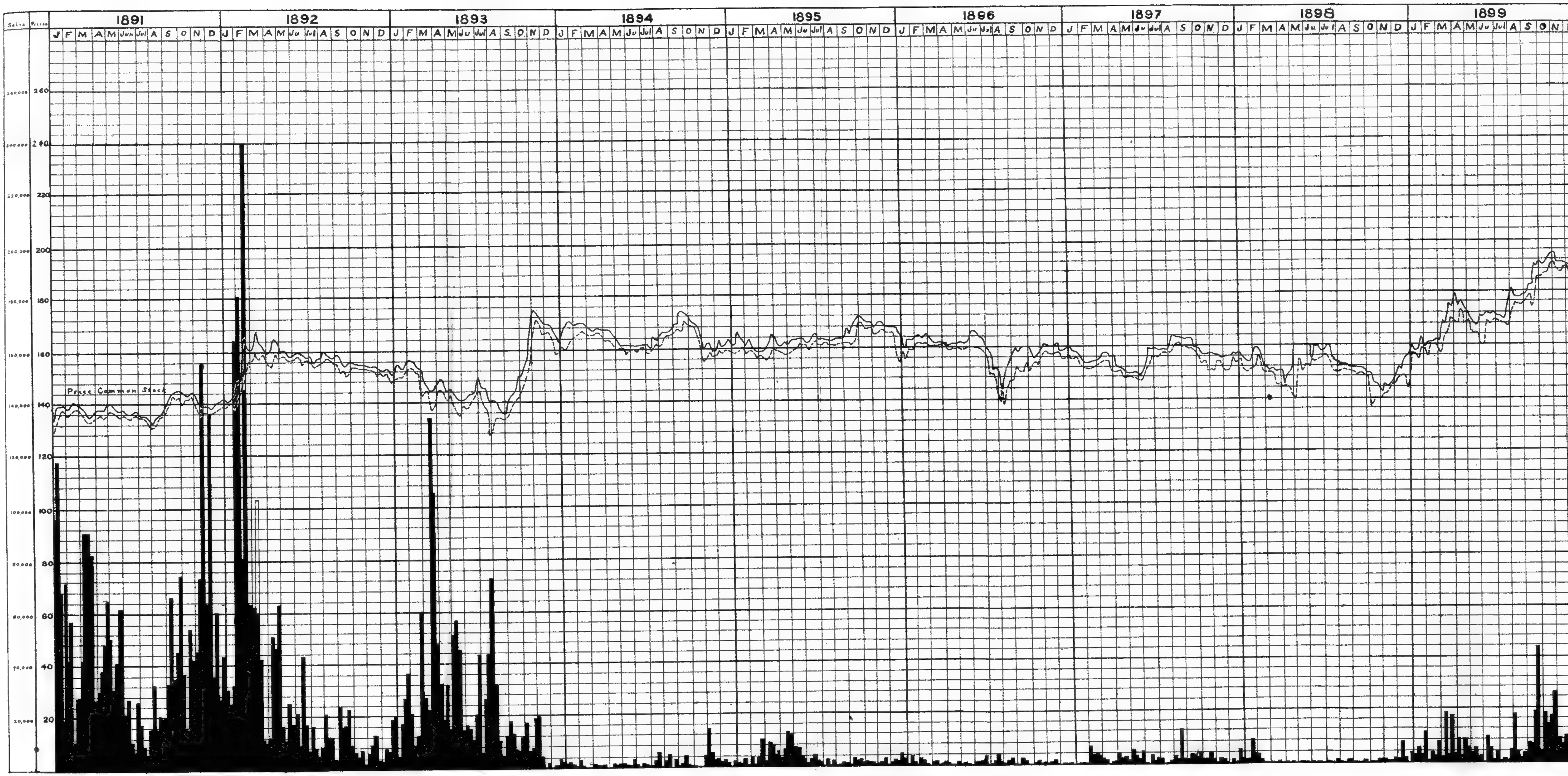
A general survey of the career of Delaware, Lackawanna and Western stocks on th market from 1891 to 1900, inclusive, elicits the broad fact that this stock was near always influenced in its fluctuations by one or another or some combination three different classes of forces: (1) By the price of coal directly, or indirectly b whatever tended to influence coal prices—e. g., a strike of miners; (2) by the actio of State governments, real or threatened, hostile to the "coal combines" for the co trol of coal prices; and (3) by general external conditions affecting the stock marke such as the political campaign in 1896, etc.

In January, 1891, very cold weather improved the coal trade, and hence there wa a rise in Delaware, Lackawanna and Western stock and increased activity on th market.

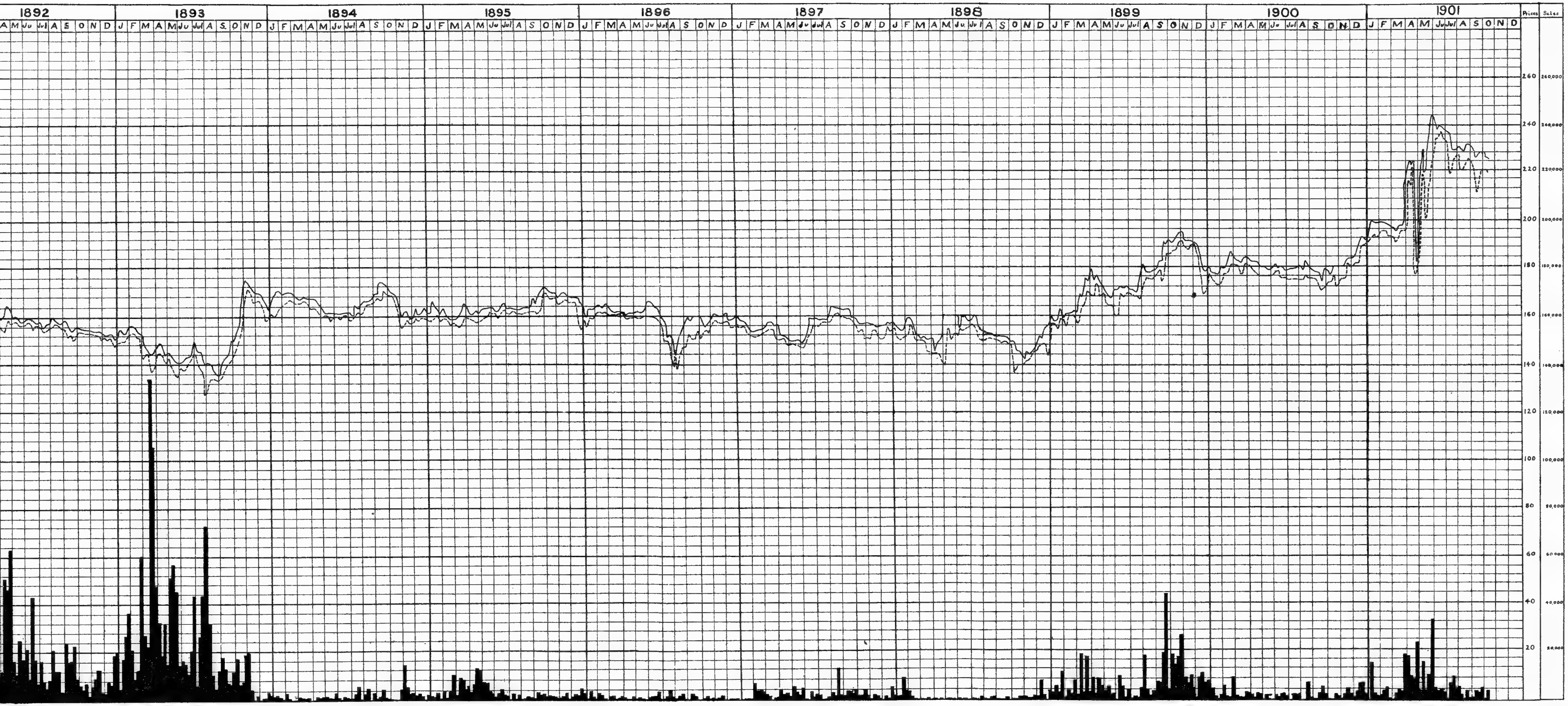
In March of the same year this stock declined some points when the Interstat Commerce Commission decided the Coxe case against Lehigh Valley Railroad, hold ing the freight rates on anthracite coal excessive.

Again, in November, 1891, there was a decline on rumors of dissensions among th coal companies and a bad condition in the coal trade.

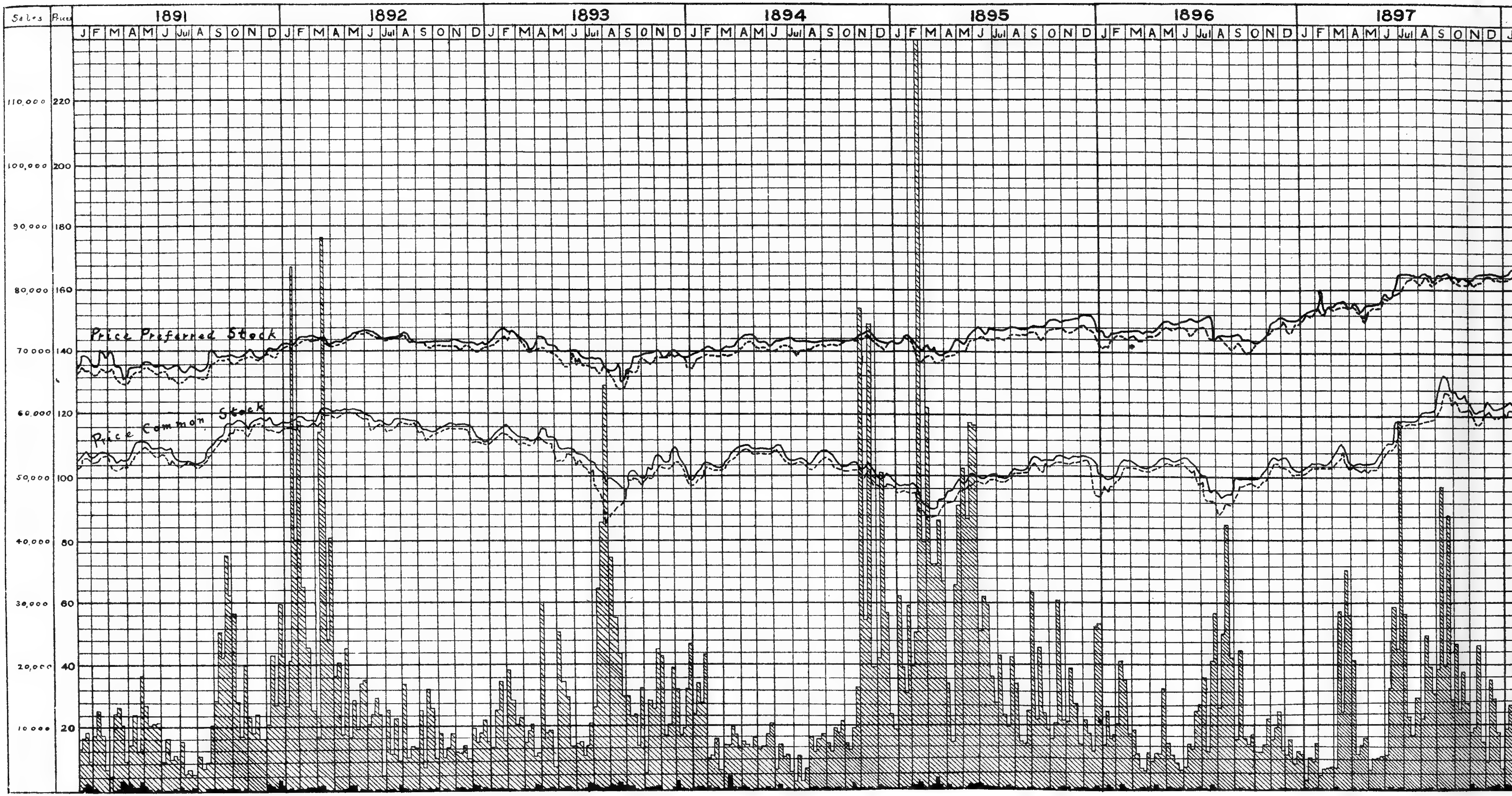
Early in 1892, mainly in February, the railroad stock market was feverish an wide fluctuations occurred on reports that the Delaware and Hudson Railroad wa



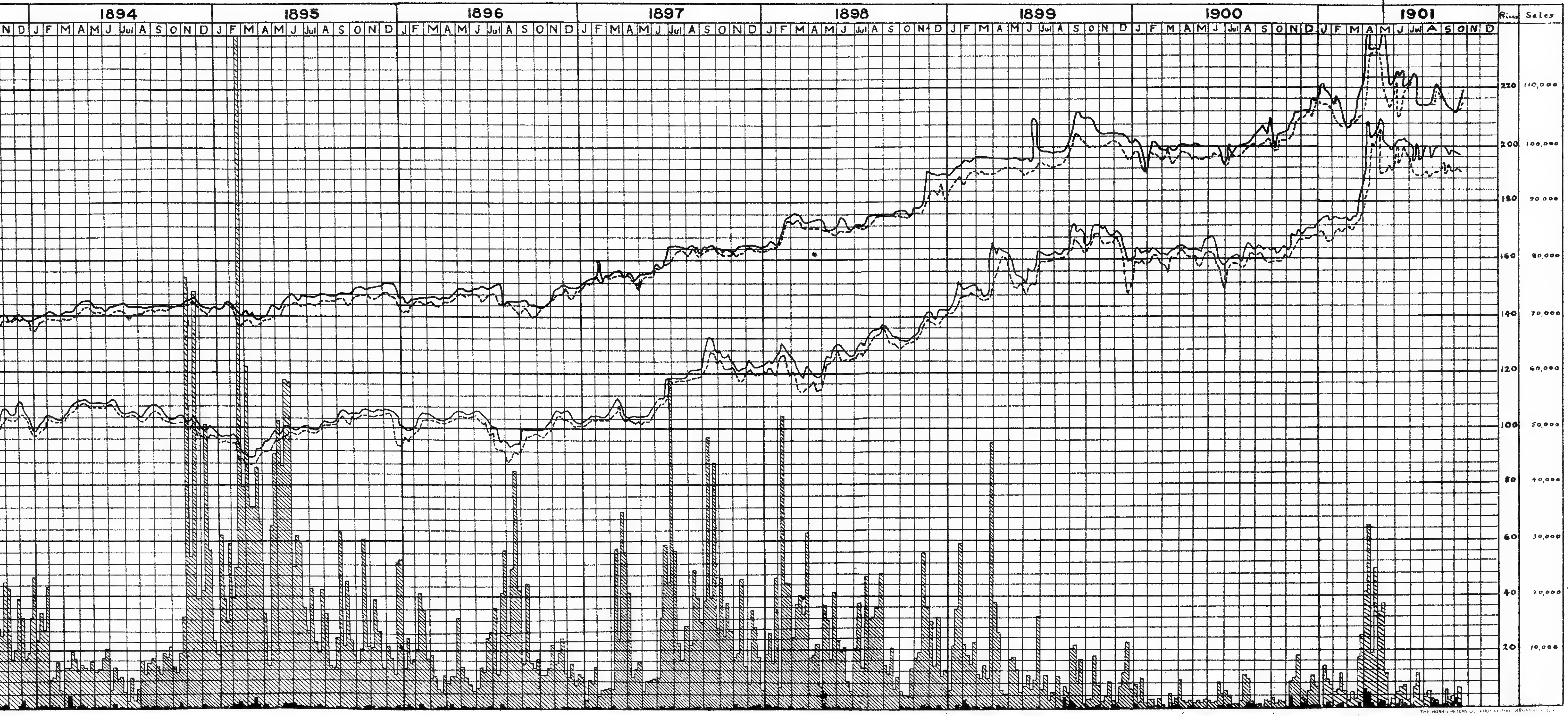
DELAWARE LACKAWANNA AND WESTERN RAILROAD CO.



DELAWARE LACKAWANNA AND WESTERN RAILROAD CO.



CHICAGO AND NORTHWESTERN RAILROAD CO.



CHICAGO AND NORTHWESTERN RAILROAD CO.

about to fall into the hands of one of the leading companies, it being said that the New York Central, the Erie, the Pennsylvania. and the Reading, each and all wanted it. Consequently Delaware and Hudson jumped up rapidly, and Delaware, Lackawanna and Western also, in sympathy with it.

But some sharp fluctuations and increased sales took place during March–April, 1892, on constant rumors that the State authorities of New Jersey and Pennsylvania were going to proceed against the "coal combine" among the railroads.

The fall of coal prices in 1893, besides the generally depressing conditions, caused Delaware and Lackawanna to decline sharply and sell very freely.

From 1894 to 1898, inclusive, no exceptional sales of Delaware and Lackawanna stock took place, and its fluctuations, at no time abnormally great, were mostly due to general external conditions. In July, 1896, in addition to the uncertain political situation, the stock was depressed under a bear raid based on news of Mr. Vanderbilt's illness.

With the remarkable development of prosperity in 1898–1900, especially in the iron and steel business, which brought on a great demand for coal, Delaware and Lackawanna stock made great advances. There were extraordinarily good earnings in the fall of 1899, and prospects that the road would be able to "enforce slightly higher transportation charges." The December panic caused a temporary set-back, soon recovered, and throughout 1900 and 1901 the stock was closely held at steady prices.

CHICAGO AND NORTHWESTERN RAILROAD.

The stock of this road made advances, and was largely bought in August–September of 1891, owing to the large earnings based on heavy grain traffic, that being an exceptionally good crop year. Naturally there was much prosperity in the Middle and Northwestern States, following this crop; hence in 1892 Chicago and Northwestern stock continued to rise on stimulating reports of earnings.

In 1893 this stock suffered depression and occasional heavy selling, along with other stocks, owing to the adverse conditions generally of that season.

After settling down to a lower level of prices, Chicago and Northwestern remained quiet and tolerably steady till the close of 1894, at which time little hope of improvement appeared. The Western crops were poor. The Chicago, Milwaukee and St. Paul road declared reduced dividends and railroad earnings among the "Granger" roads generally showed discouraging results. Hence liberal selling and serious declines in all their stocks.

But the low prices attracted European buyers, whose absorption of Chicago and Northwestern stocks, among those of other Grangers, caused the price to recover somewhat in December, 1894.

The extraordinary sales seen on the chart for February, 1895, took place in spite of an otherwise quiet, restricted market. This was the result of a vigorous bear raid on this stock especially, based on a recent very poor statement of traffic conditions and earnings. But things soon improved, and by May, 1895, prices advanced on large European buying and a hopeful crop outlook.

The depression during July–September, 1896, was due to the political campaign. In the case of Chicago and Northwestern, however, a fall in freight rates west of Chicago, due to competition, also aggravated the situation just then and weakened the stock considerably.

As the spring of 1897 advanced, a hopeful promise of good crops, a political outlook deemed favorable by investors, and other generally favorable conditions strengthened the Granger stocks; but Chicago and Northwestern was still further stimulated in price by the announcement that the company was going to follow the Lake Shore in refunding its bonds at a lower interest rate.

From 1897 till the close of 1900 there was almost continual net advance, the only

serious depression occurring during that period being in 1900, pending the result of the national elections. As regards sales, these were very large in February, 1898, on advancing prices caused by prosperous traffic conditions and successful refunding of bonds. Again, heavy selling and buying occurred in March, 1899, caused by the remarkable demand for investment securities early in that year—an economic phenomenon already alluded to several times.

The striking advance scored in September, 1899, was due to reports of an alliance between the Chicago and Northwestern and the St. Paul and Omaha.

The great speculative movement in railroad shares during April and May, 1901, affected the Chicago and Northwestern less than some of the other Northwestern railroads. The aggregate speculation in shares was not greater during these two months than in many other periods of corresponding length. The price of stocks, both common and preferred, however, was forced up rapidly. Common stock, which had stood at about 170 in June, rose to a maximum of nearly 210. The maximum price of preferred stock reached 295. There has been some reaction since May, but the price has been held fairly steady at a point much higher than heretofore.

BALTIMORE AND OHIO RAILROAD.

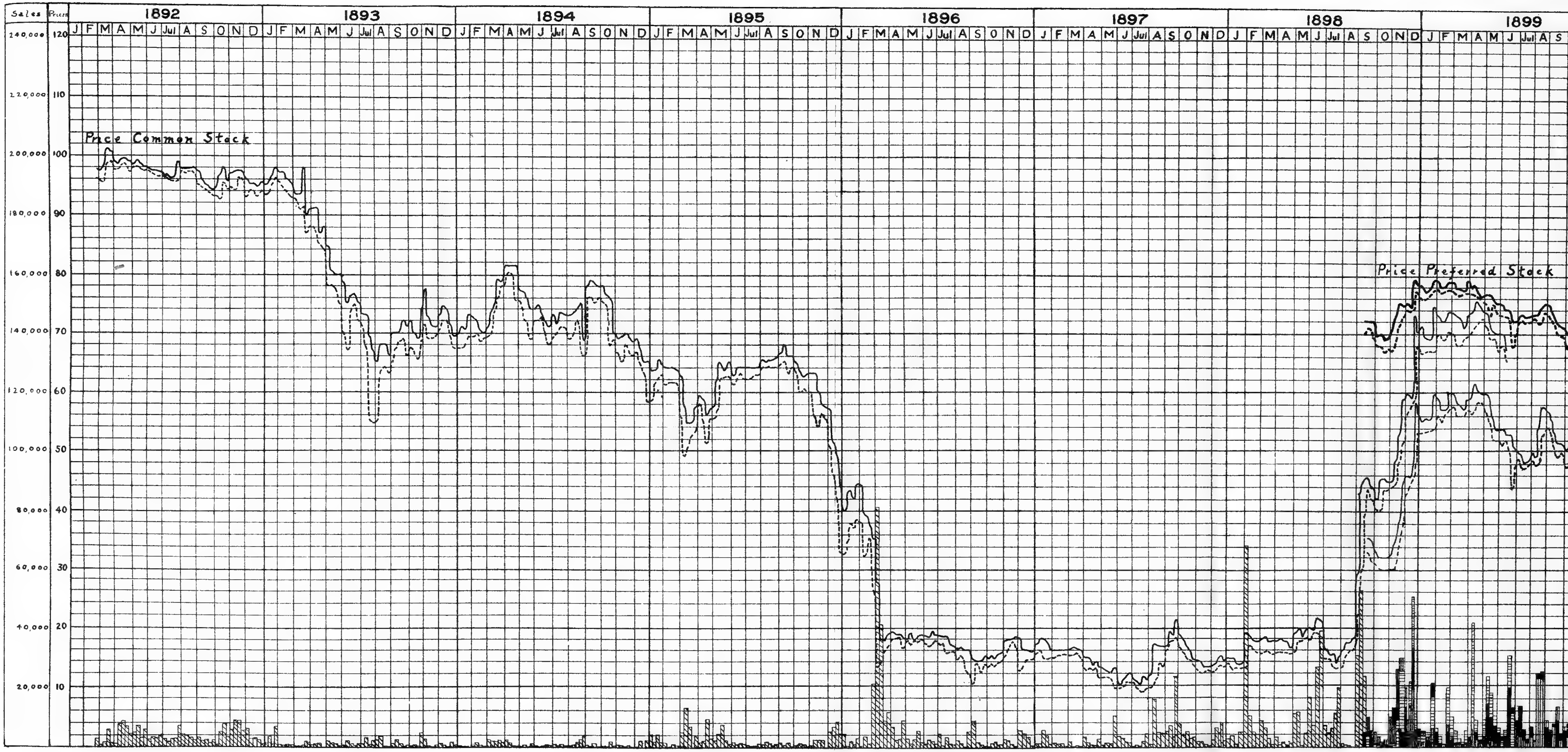
Not until the severe depression experienced everywhere in 1893 did Baltimore and Ohio stock show any movement sufficiently striking to call for special explanation. It was quite closely held, and its fluctuations were nothing abnormal. Just as the road began to recover slowly from the adverse conditions prevailing in 1893, there came on the great bituminous coal miners' strike, lasting from April till June, 1894. The heavy falling off in transportation of coal, coke, iron, and lumber in consequence of the strike caused a drop of 21 per cent in the company's business for that year. Hardly had the stock begun to rally when disappointing crop reports again depressed its price. By the close of 1894 it stood lower even than at any time in 1893.

After some recovery in 1895, based on better crop and traffic reports, there set in a rapid and almost uninterrupted decline till the Baltimore and Ohio stock sold at 17¾ in March, 1896. While this great weakening may have been partly due to the generally depressing conditions occurring late in 1895, yet there were persistent reports of irregularity in the company's bookkeeping, of a possible default in payment of interest on bonds, and other disquieting rumors. Finally it became practically certain that the road was in a bad way, and early in 1896 the stock fell heavily. On February 26, 1896, the road went into receiver's hands and its stock dropped to the lowest level in its career since 1890.

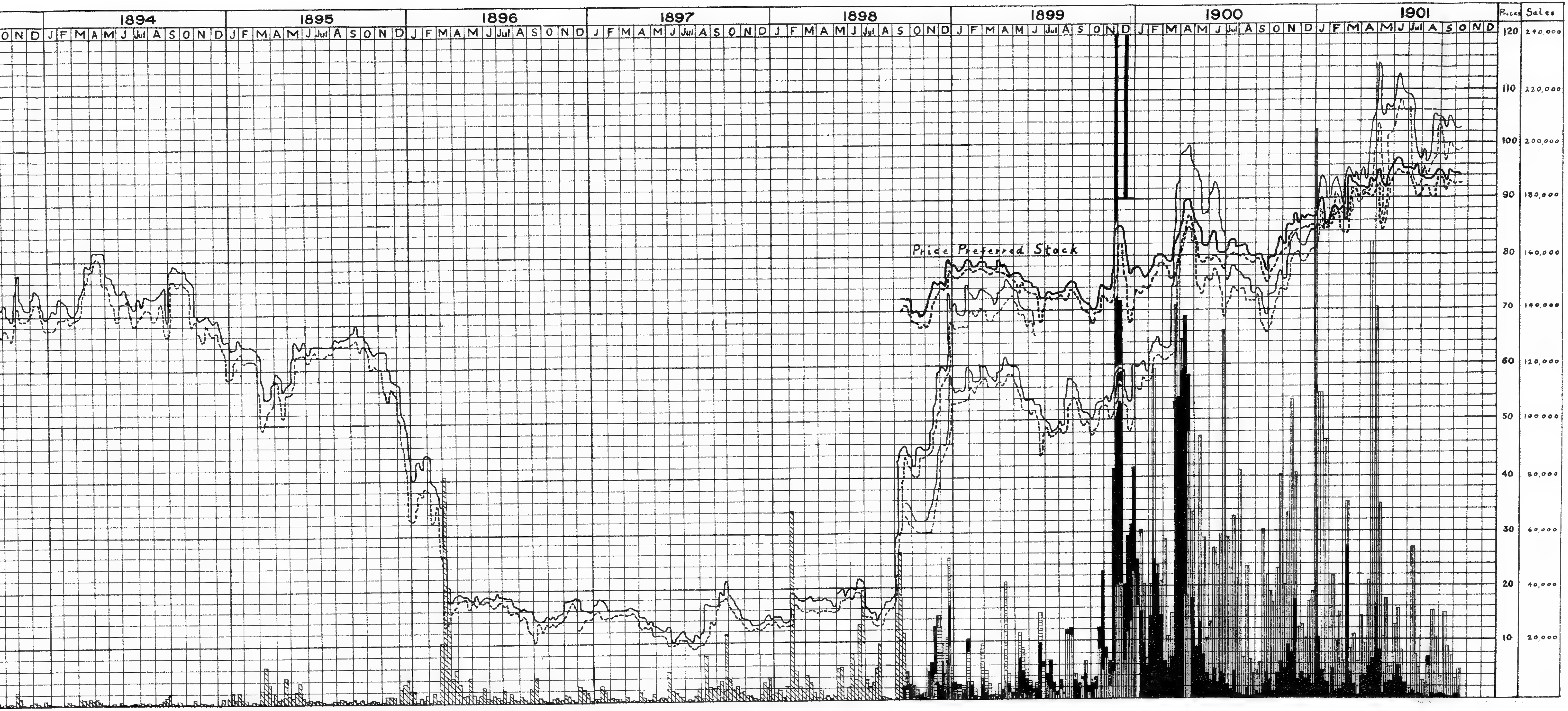
From this time till September, 1898, while the road was in receiver's hands and undergoing a slow reorganization, the stock fluctuated between 10 and 20, exceeding 20 only once or twice by a slight margin. But in September, 1898, news came out that J. J. Hill was going to become a heavy stockholder along with a syndicate of leading men who would do their utmost to put the road in thorough good order again. To this report the stock responded instantly and advanced rapidly, with few arrests till the end of the year, closing at 70¼. With the purchase of all the holdings of Johns Hopkins University and others, thus removing all obstacles to complete reorganization at the beginning of 1899, Baltimore and Ohio securities continued to rise. The excellent business outlook generally and fine reports of railway earnings during this period also helped the recovery very materially.

During 1899 Baltimore and Ohio stock did not fluctuate very greatly, and such variations as did occur were chiefly in response to general conditions, except as to the remarkable upward spurt and enormous trading just before the December panic. This surprising stir was caused by very circumstantial reports, widely believed, that an alliance between the Baltimore and Ohio, the Pennsylvania, and the New York Central was being effected.

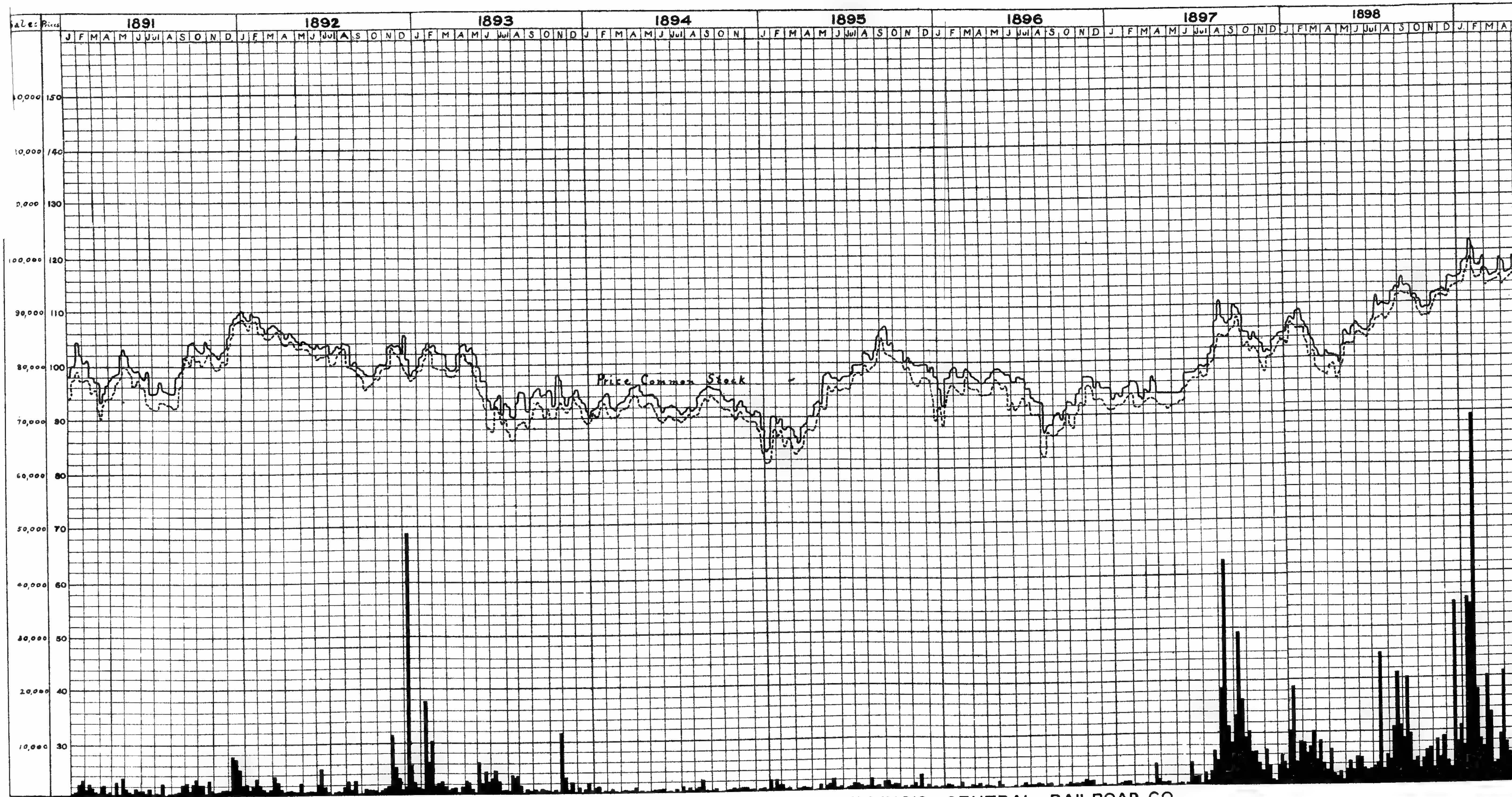
Hardly had the excitement subsided on learning the falsity of these reports when



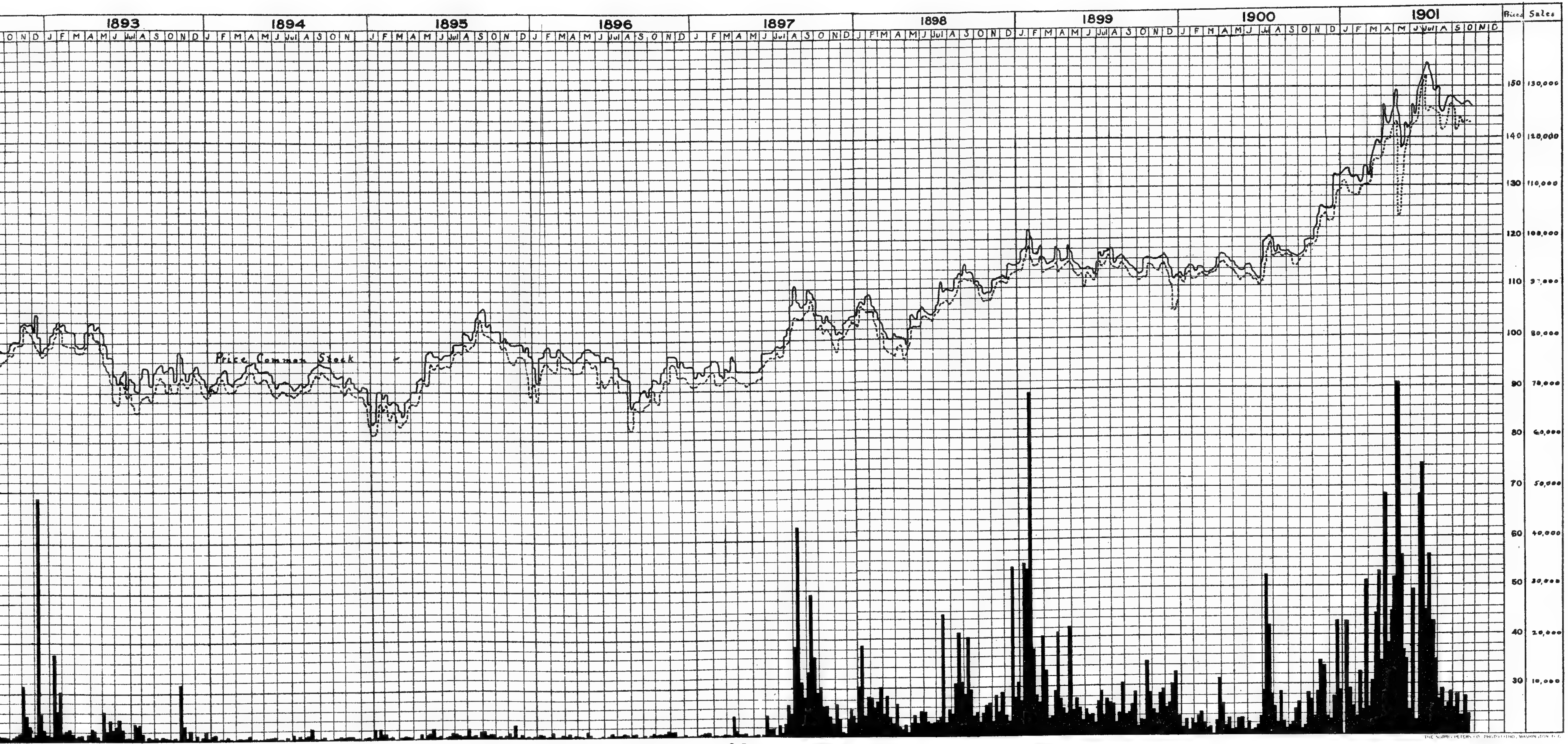
BALTIMORE AND OHIO RAILROAD



BALTIMORE AND OHIO RAILROAD



ILLINOIS CENTRAL RAILROAD CO.



ILLINOIS CENTRAL RAILROAD CO.

the stock-market panic of December 18 came on, and the stock declined sharply under heavy liquidation sales.

In 1900 Baltimore and Ohio advanced to a higher point, and was more active at times than for six years previously. This fact was based on generally prosperous traffic conditions at bottom, stimulated, however, by a steady investment demand and some degree of speculative manipulation, as well as to reports of combination of interests between the Baltimore and Ohio and the Pennsylvania. The weakening observed on the chart for May-June, 1900, was mainly due to the shutting down of the American Steel and Wire and Federal Steel mills, which tended to injure the road's transportation business. General prosperity and the heavy demand for investment advanced the stock again, however, during the latter months of 1900.

The stocks of the Baltimore and Ohio continued to rise steadily from September, 1900, to the middle of 1901. This increase was due in part to the general rise in the value of railroad securities and the great amount of investment in them, but was doubtless aided by the progress of the movement for community of interest between the Baltimore and Ohio and the Pennsylvania Railroad. The culmination of this movement was shown in the election of Mr. Loree as president of the Baltimore and Ohio. The tremendous speculative boom in railroad securities during April and the early part of May is conspicuous on the chart, the price of Baltimore and Ohio shares rising more than 20 points within a few weeks. It will be seen that the lowest price of the common stock of this company in September, 1900, was only 66, while the maximum price in May, 1901, was 114. The effect of the temporary panic following the Northern Pacific corner in May is seen conspicuonsly in this stock. There was also a marked decline during June and July with some recovery in September. The preferred stock has risen somewhat more gradually than the common stock. The trading in shares of this railroad has been less during 1901 than during 1900, probably largely because of the holding of stocks by the large buyers who had secured control of the company.

ILLINOIS CENTRAL RAILROAD.

The somewhat increased activity in Illinois Central, accompanying a sharp advance in December, 1891, was due to the heavy corn and wheat crop of that year, which supplied the railroads of the Middle West with enormous traffic. The advance in reality began as early as August, because by that time the corn crop had become assured.

In December, 1892, a sudden upward fluctuation is shown on the chart, and in a week there were sales aggregating 48,784 shares, an exceptional number for this road. This was caused by the report that the United States Supreme Court would at last give judgment on an important lake-shore-front case in which the Illinois Central was interested.

The rather serious decline in prices about the middle of 1893 arose from the panic conditions of that period, which affected all stocks.

The important advance scored by Illinois Central in 1895 from March till September was based on increasingly prosperous railroad conditions, good crop prospects, and to a very considerable extent upon the increasing foreign demand for our railway securities. In March the directors paid a 3½ per cent dividend and gave out a very hopeful report.

The decline which subsequently set in (September, 1895) and lasted till August, 1896, was almost purely a result of the generally bad financial outlook in the country, this having come to overshadow all such factors as earnings, crop reports, etc.

As the prospective result of the 1896 elections became sufficiently evident an upward turn took place, and with reviving confidence of investors there came more active business conditions in 1897, heavy buying of stocks for foreign account, and a bright outlook for railroad business generally. Hence large net gains appear in the

price of Illinois Central stock during 1897. With the final assurance of a fine grain crop by August, Illinois Central showed special advances at that time, with marked activity in sales, as shown on the chart for August and September, 1897.

The Spanish-American war in the first half of 1898 weakened prices; but as business was really excellent during the year there was soon a marked recovery, beginning at the time of news of the naval victory at Manila and continuing, with some interruptions, throughout the year. In July a conspicuous spurt in the price of Illinois Central took place on rumors of an extra dividend, while in September there was a further temporary movement upward on news that Burlington dividends had been increased.

After some inflation of price in January, 1899, due to the enormous speculative outburst at that time, Illinois Central settled down at a strong level of prices, which was maintained steadily till July, 1900. At that time a sharp advance took place on reports of an increased dividend, based on unusual prosperity that year (1900). As the year 1900 drew to a close the stock continued to advance rapidly, with much activity on the market as a consequence. This remarkable movement arose partly from the really immense business prosperity of that period and partly from the sharp speculative demand that appeared on the eve of the national elections, and reached unprecedented volume during the weeks immediately after the election.

The rapid increase in the price of the stock of the Illinois Central continued until the temporary crash in May, 1901. The total advance from June, 1900, to the latter date was about 40 points. In this regard the course of the Illinois Central shares simply parallels that of the other leading railroad stocks. The rapidity with which this stock recovered after the fall of May is noteworthy, a maximum of 154, several points above the maximum of May, being reached in July. After this, however, there was a gradual decline. The dealing in the shares of this company during the speculative period of 1900 and 1901 was not nearly so great as that in the shares of companies more directly concerned in the community of interest movement.

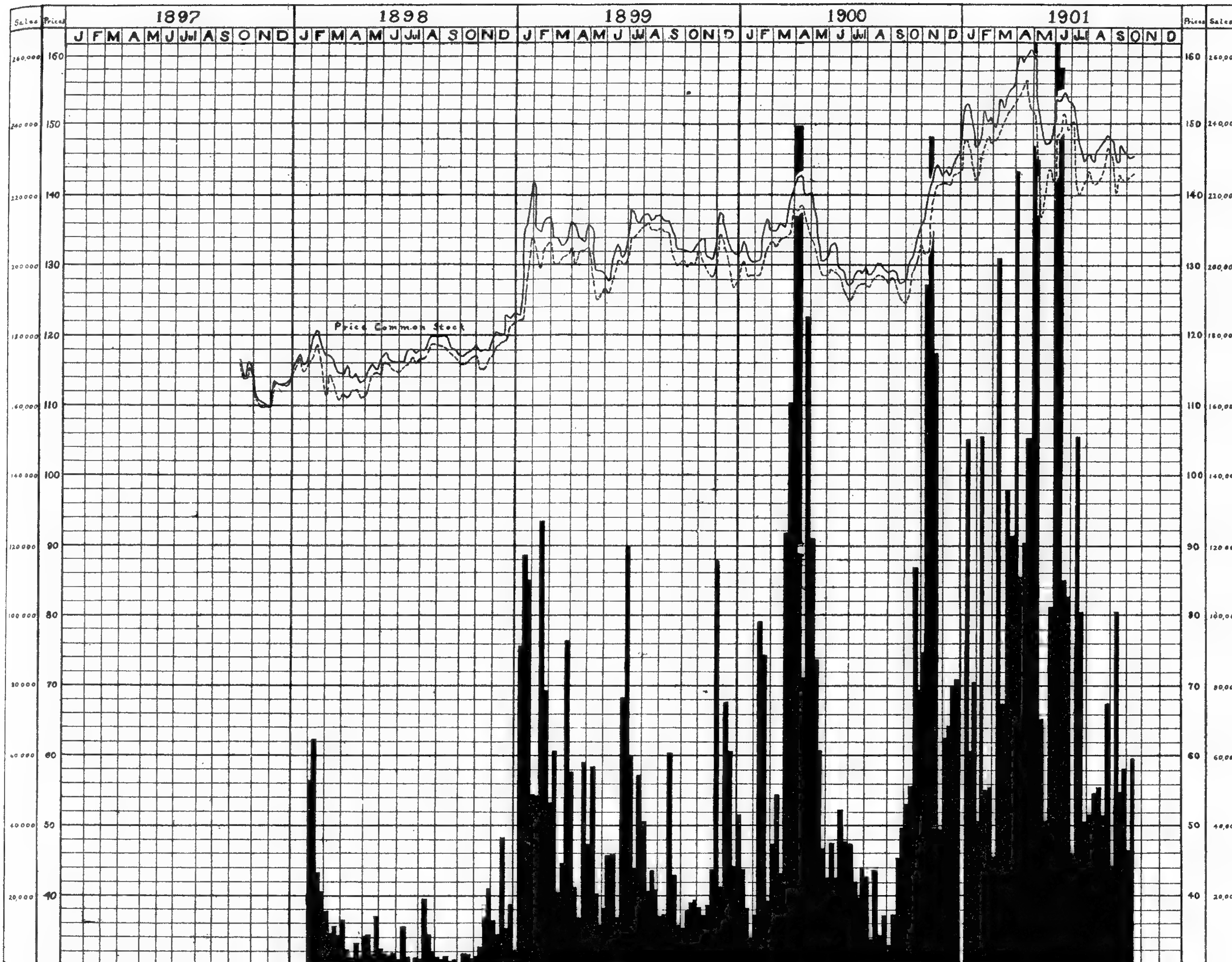
PENNSYLVANIA RAILROAD.

The rise in price and unusual sales of Pennsylvania stock in February, 1898, were based on reports of excellent earnings and the success of various refunding schemes, which at that time added much to the strength of nearly all principal railway stocks. Immediately following this, however, the prices declined temporarily under the war scare.

In January, 1899, everything seemed to combine in favor of extraordinary activity and high prices in railroad securities, there being heavy traffic, wonderful business prosperity, an enomous amount of capital seeking investment, and unparalleled buoyancy on the stock market. Hence the surprising advance scored by Pennsylvania stock in that month, accompanied by tremendous sales, the activity continuing through February and March with little abatement, in spite of some reaction in price from the January boom.

The drop of several points in May was due apparently to some exhaustion of the unusual forces preceding, aided by certain adverse events outside the railway stocks. Commenting on it in the second week of May, the Commercial and Financial Chronicle, however, remarks: "The course of business this week at the Stock Exchange illustrates how, under certain conditions, the stock market can be made to yield to manipulation. With practically no change in the general situation, with only a brief and limited rise in money rates, and nothing of any importance to cause a change in values, the stock market has yet suffered a rather severe decline."

The exceptional sales in June–July, 1899, were due partly to the distrust then existing as to industrials, which caused the public to turn rather to standard railway stocks, and partly to rumors of an alliance between the Pennsylvania and the New York Central railway systems. There were again unusual sales, with an upward



THE NORRIS PETERS CO., PHOTO-LITHO., WASHINGTON, D. C.

PENNSYLVANIA RAILROAD COMPANY.

fluctuation in price, early in December, caused by reports of a unio of interests between the Baltimore and Ohio and the Pennsylvania roads.

The advance of some 12 points gained during the first four months of 1900, accompanied by extraordinary sales in March and April especially, was attributable to nothing else than the tremendous demand for good securities at that time, with a particularly large tendency to ask for Pennsylvania stock on the strength of the known prosperity of the road, the traffic on its lines being very heavy and earnings exceptionally great.

The loosening of an immense amount of capital after election uncertainties were settled, the marvelous prosperity then existing in every direction, and the buoyant speculative activity, all combine to explain the renewed period of advancing prices and remarkable sales shown on the chart for November, 1900. The Pennsylvania lines enjoyed a full share of the good times characteristic of that year and furnished a sound basis for public confidence in its stocks and the great demand therefor.

The price of the stock of this company continued to advance rapidly, in harmony with the general boom in railroad securities, until the end of April, 1901, when a maximum of more than 160 was reached. The dealing in the shares during this period was considerable, especially at particular times when rumors of the progress of the movement for community of interest with the Baltimore and Ohio and other railroads were made public. There was heavy trading in stocks of this company during the first two weeks in May, as in those of practically all railroads. The desire to realize, after the overspeculation and advance in price had resulted in a temporary collapse, led to very large sales during the second week of May. The decrease in the price of this stock during July was probably partly due to the increase in the capitalization of the railroad, by the addition of $50,500,800 of stock.

THE TRANSCONTINENTAL RAILROADS.

Especially interesting are the four diagrams representing the movement of the stocks of the Atchison, Topeka and Santa Fe, Northern Pacific, Union Pacific, and Chicago, Burlington and Quincy railroads during the past three years. These roads were especially influenced by the great speculative movement of 1901, and by the "community of interest" policy. It has already been noticed in connection with the charts regarding other railroads that even the more stable stocks of such Eastern roads as the Pennsylvania and the New York Central were subject to increased speculation during this period, and that their prices increased materially until the reaction of May, 1901. The movements in the Western stocks are much more noteworthy. The greater amount of the transactions in them during most of the time covered by the charts, as compared with the Eastern railroads, is probably due in part to the fact that, because the earning power of some of the Western railroads has been more uncertain, their stocks have been held to a less degree as permanent investments. The enormously increased transactions in the stocks of several of these companies during 1901 were also explained in part by the purchases of certain interests which desired to secure control of the railroads, purchases which resulted ultimately, in November, 1901, in the community of interest arrangement between the Northern Pacific, Great Northern, Union Pacific, Southern Pacific, Chicago and Northwestern, and Chicago, Burlington and Quincy railroads.

The extremely rapid increase in prices of the stocks of the Union Pacific, Atchison, Northern Pacific, and Burlington companies during the latter part of 1900 and 1901 was probably due to three main causes:

(1) The general prosperity of the country, the desire for investments, and the greatly increased spirit of speculation as regards all securities.

(2) The marked advance in the prosperity and soundness of management of these Western railroads. The Atchison, Topeka and Sante Fe Railroad was reorganized about six years ago and placed on a much improved financial basis and under much

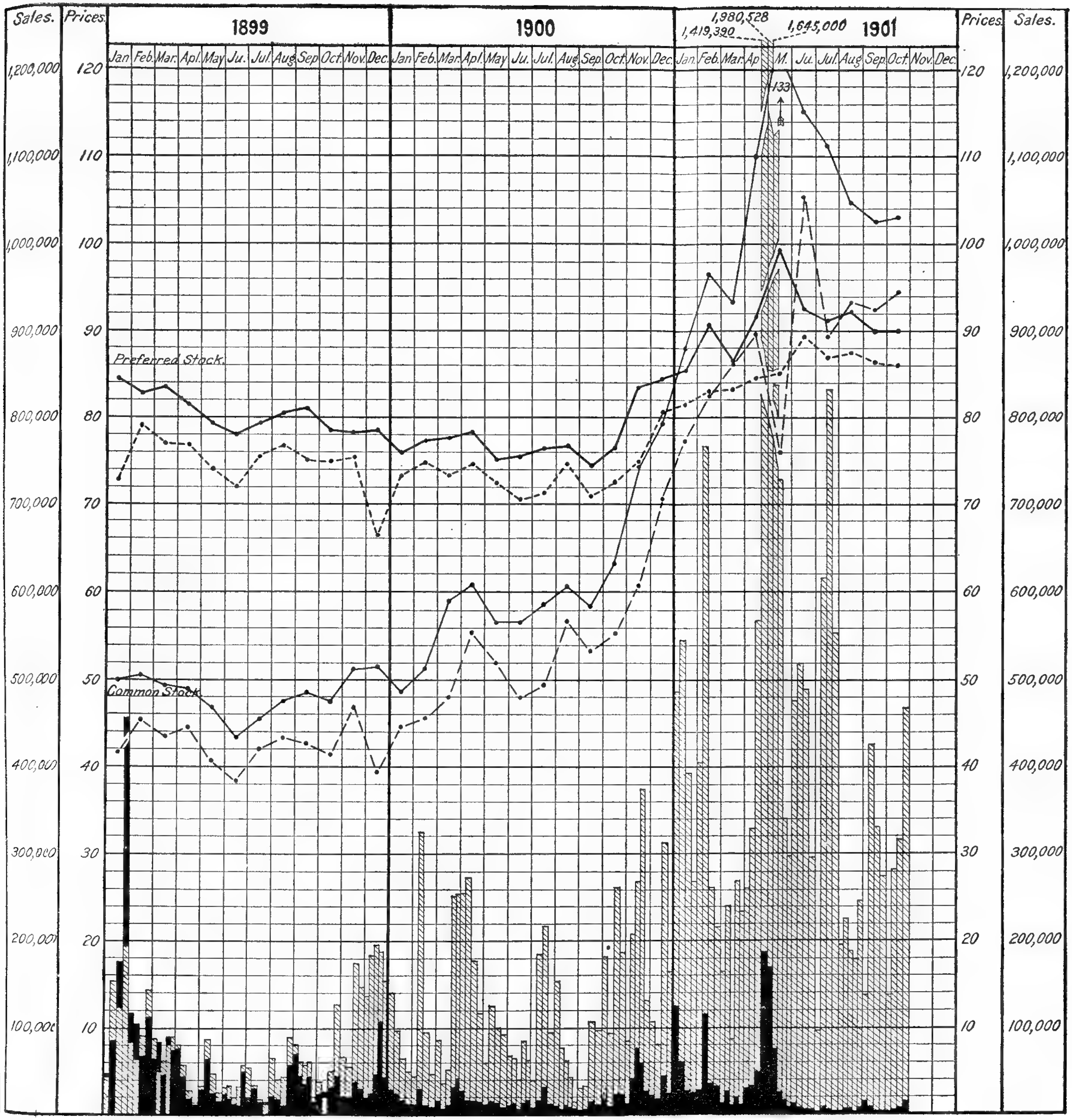
more efficient management. The general industrial prosperity of the West contributed to increase its earnings greatly. Somewhat similar had been the improvement in the conditions of the Northern Pacific and the Union Pacific for several years prior to 1900, while the earnings of all three of these railroads during 1900 were especially large.

(3) The third influence contributing to the great increase in the price of these stocks, especially of the Northern Pacific, Union Pacific, and Burlington, was the combination movement. The general public belief that, by the establishment of a harmony of interests, greater earnings would be made possible led to a strong desire for investment in the stocks of the various Western railroads concerned in the movement. Moreover, the large purchases of the great financiers who were endeavoring to secure control of the railroads for the purpose of establishing community of interest naturally had a powerful effect on the prices. This was, of course, most conspicuous in the case of the Northern Pacific.

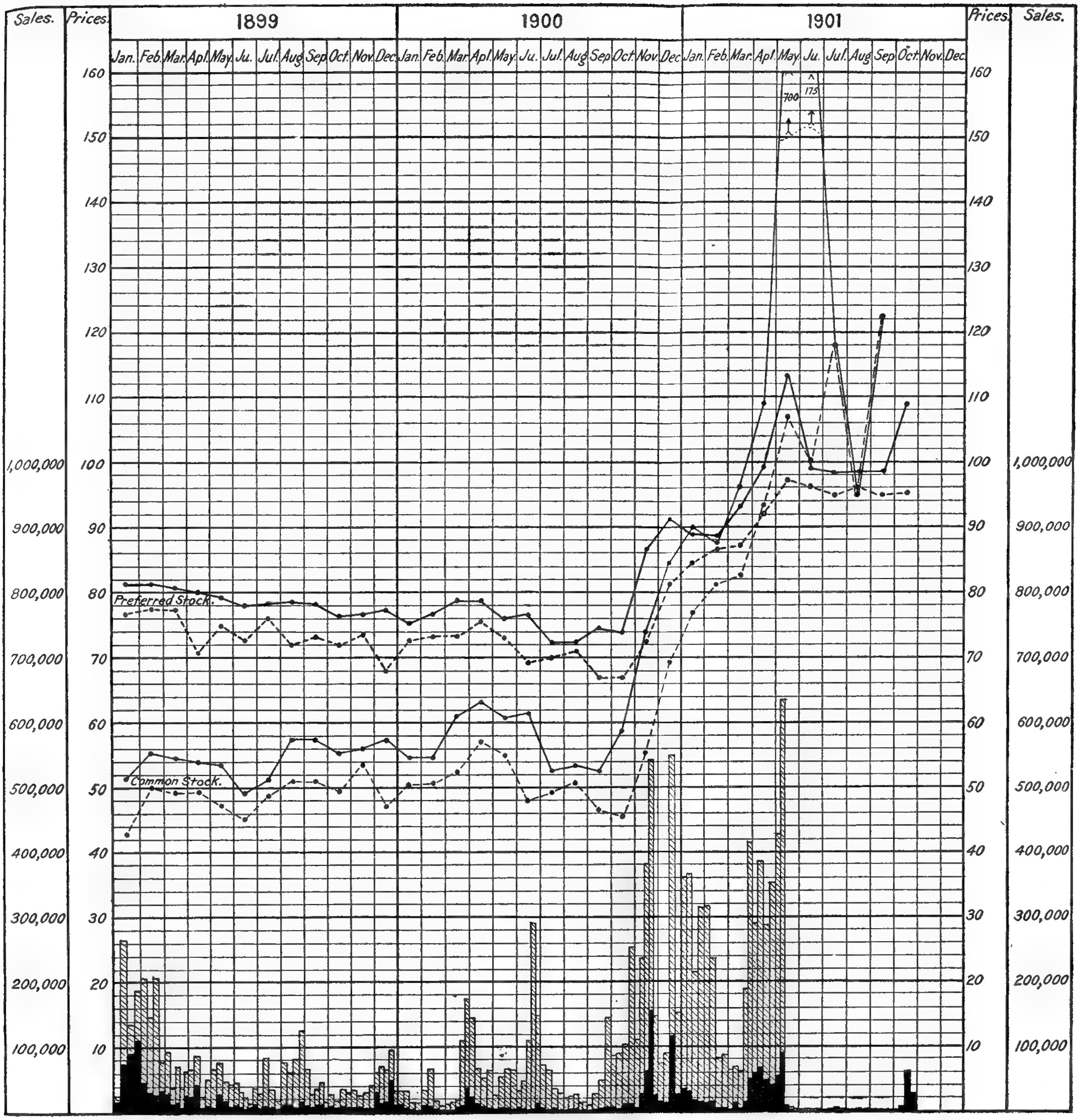
The combined effect of all these influences upon the amount of dealing in the stocks of the railroads under consideration, as well as upon their prices, is seen most strikingly in the diagrams. The dealing in the stocks of all of the companies was immense throughout the first three months of 1901, and rose to astounding figures during April and May. The sales of Union Pacific common stock during the last week of April reached 1,419,390 shares, while in the first week of May the maximum figure of 1,980,528 shares was reached, equivalent to more than the entire stock issue of the company. The sales of Atchison stock during the first week of May reached 1,461,450 shares, while those of Northern Pacific in the second week of May were more than 600,000 shares. The dealing in Chicago, Burlington and Quincy stock was greatest during March and the early part of April. After that time, a controlling interest in the railroad having been secured by the Northern Pacific and Great Northern, its stocks were largely withdrawn from the market.

The increase in the prices of the securities of these Western railroads during the boom which culminated in May, 1901, is quite as striking as the amount of speculation in them. The common stock of the Union Pacific rose from about 50 at the beginning of 1900 to a maximum of 133 in May, 1901. The increase from September to May was especially rapid and steady. The common shares of the Atchison rose from about 25 at the beginning of 1900 to 90 in May, 1901. The wonderful improvement in the prosperity of this railroad had even more influence in this increase than the movement toward combination. The stock of the Burlington has for years past stood at a high figure, but between September, 1900, and April, 1901, it rose from a level of about 125 to very nearly 200. The movement of the Northern Pacific and Great Northern to control this road doubtless explains to a considerable degree the rapid increase from February to April, 1901.

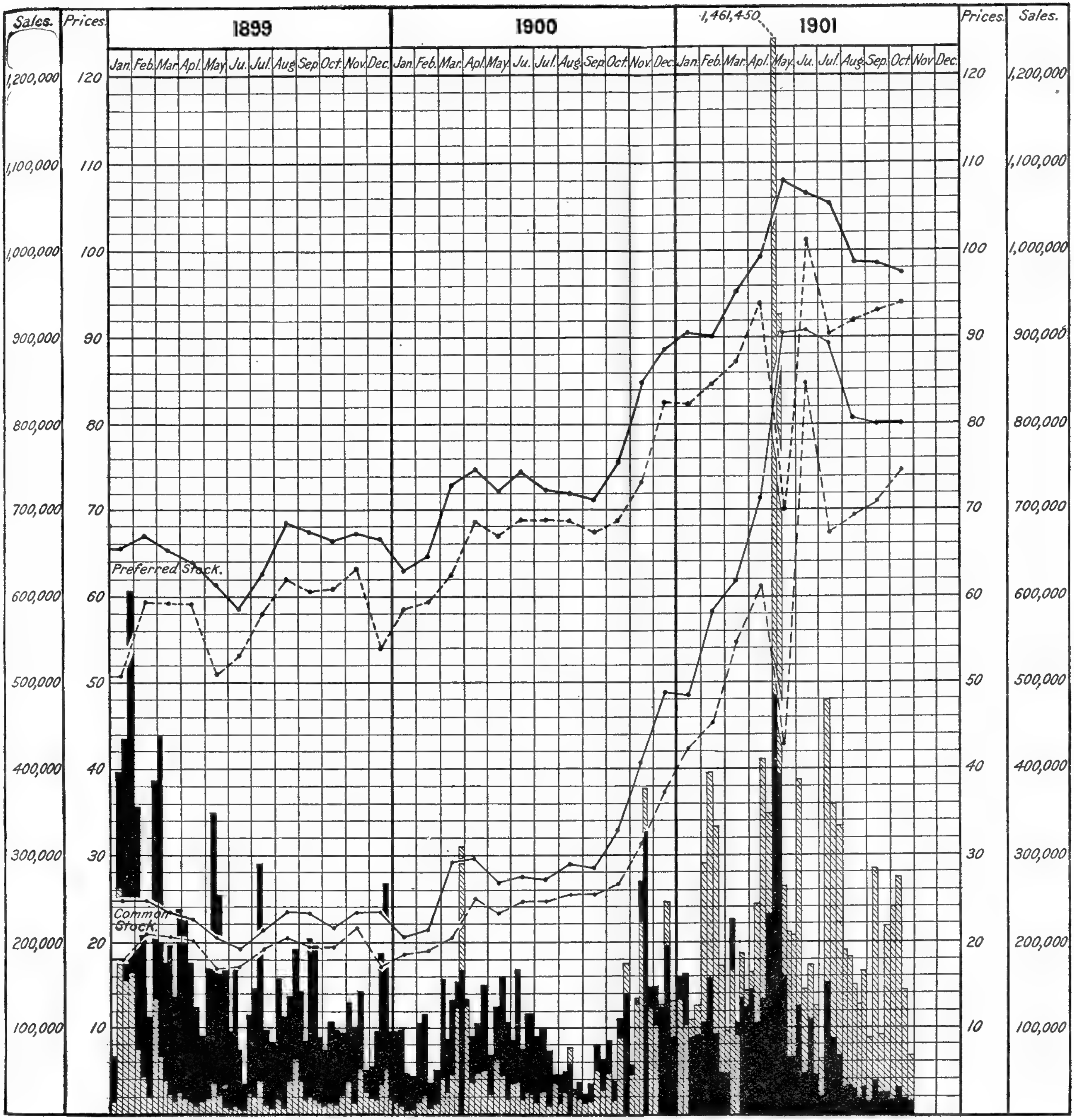
The various influences already mentioned as affecting all these railroads raised the price of the stock of the Northern Pacific from about 50 in August–September, 1900, to nearly 110 in April, 1901. In May occurred perhaps the most striking stock transaction of recent years. The Northern Pacific and Great Northern interests having secured control of the Burlington, the Union and Southern Pacific interests feared that traffic would be diverted from their roads, greatly to their injury. They endeavored accordingly to secure sufficiently large ownership of the Northern Pacific to be able to control its policy. At the same time other great financial interests were trying to buy up Northern Pacific stock and secure control. These two powerful combinations bidding against one another in the market caused a great increase in price. Because of the general speculative mania which was manifest at this time, many persons sold this stock short to one or the other of the interests seeking control. The whole movement on each side was to a large degree a concealed one, and the short sellers of the stock were suddenly surprised to find that practically all the available shares had already been secured and were closely held by one or the other



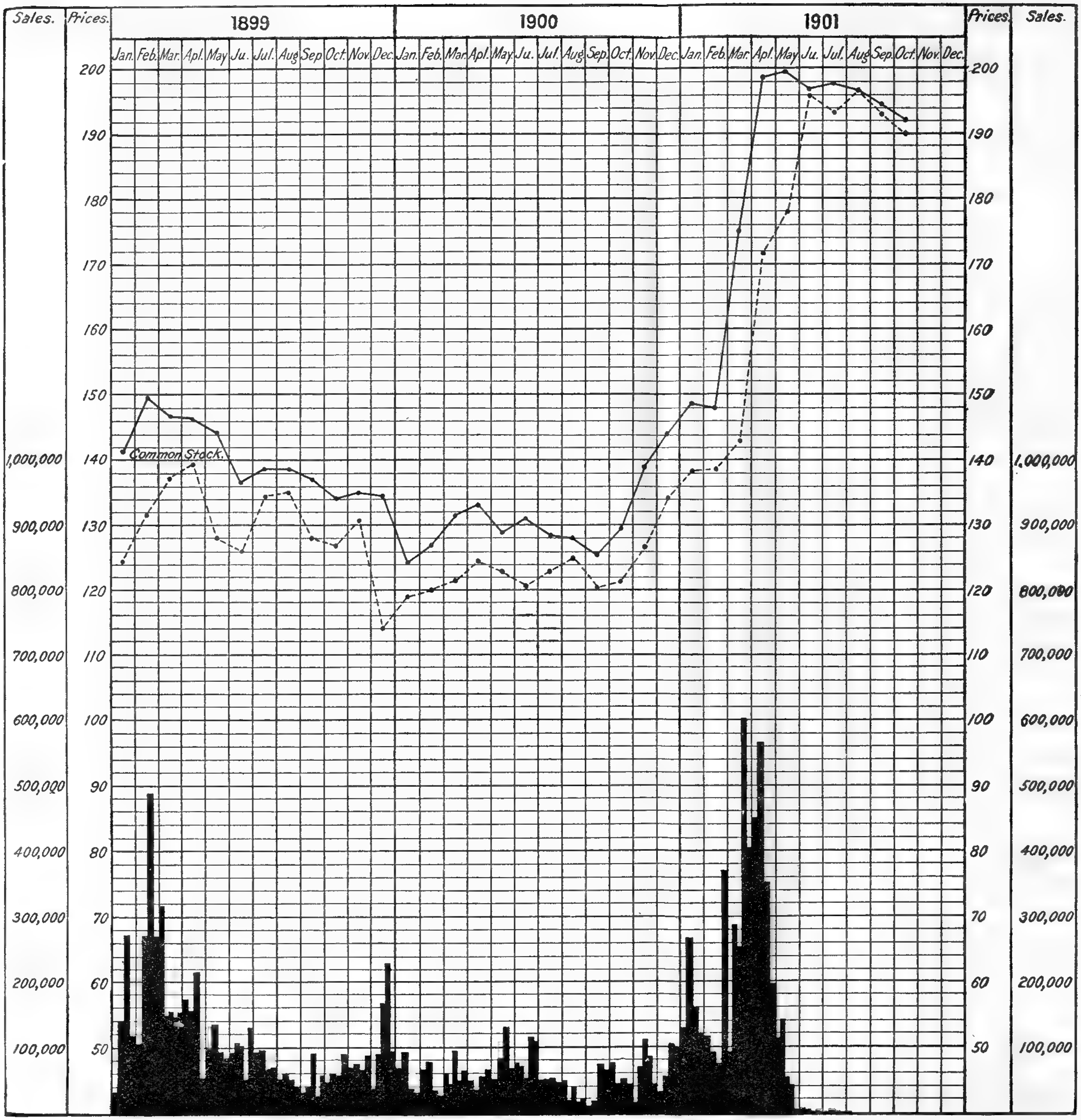
UNION PACIFIC RAILWAY.



NORTHERN PACIFIC RAILROAD.



ATCHISON, TOPEKA AND SANTA FE RAILWAY.



CHICAGO, BURLINGTON AND QUINCY RAILROAD.

of the syndicates. In their endeavor to deliver the shares which they had sold the shorts offered enormous prices for the Northern Pacific stocks, both common and preferred, one sale at no less than $1,000 per share being reported. For the most part, however, deliveries were not made at these excessive figures, and when the real situation and the conflict between the opposing forces became known, a compromise was effected between the buyers and the short sellers by which settlement was made at a comparatively moderate figure.

The so-called Northern Pacific corner which has just been described gave a shock to the stock market, which through overspeculation had already become extremely sensitive. A tremendous falling off in the prices of stocks occurred on Thursday, May 9, and enormous sales were made by frightened speculators. It is doubtless an error to attribute this temporary crash altogether to the manipulation in Northern Pacific stocks. As so often happens, the speculative movement had been carried to an extreme as regards all railroad securities. A level of prices had been reached which was not justified by the earning capacity of the railroads, and reaction was bound to occur. Many persons had speculated in stocks who were unable to carry them for a long time. A slight stringency in the currency increased the apprehension. Money lenders began to demand wider margins in taking stocks as collaterals, and the more conservative brokers likewise required wider margins from stock buyers. On Wednesday and Thursday many of the largest bankers began to call in loans, which helped to precipitate the temporary panic.

The great fall in the stocks which occurred at this time may be seen in all four of the diagrams immediately under consideration, as well as in those representing the more eastern railways, by comparing the highest prices during May with the lowest prices.

That the increase in the prices of securities up to May was, to a considerable extent, due not to mere temporary speculative fever but to the large amount of capital seeking investment and to the widespread belief in the actual and permanent increase in the earning capacity of railroads, is evident by the rapid reaction in prices after the drop of May. The stocks of the Burlington and Northern Pacific were from this time on practically withdrawn from the market, but a very considerable speculation continued in the stocks of the Atchison and Union Pacific. The anticipation of still further consolidation movements doubtless kept up the speculation in the shares of these roads.

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